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Algeria	4.00	Den.	115	Yen	160	0.90	Rs.	125
Argentina	2.5	Dr.	100	0.25	0.25	1.00	0.25	1.00
Australia	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
Belgium	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Canada	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Czech	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Denmark	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
France	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Germany	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Italy	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Japan	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
South Africa	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Spain	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Sweden	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Switzerland	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Taiwan	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
U.K.	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
U.S.	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
West Germany	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Yugoslavia	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

## Police Raid Union in S. Africa

### Black Federation Is Blamed for 4 Workers' Deaths

By William Claiborne

JOHANNESBURG — The police raided the headquarters of South Africa's largest black labor federation Wednesday after the discovery of the bodies of four strike-breaking railway workers. Authorities said the four had been tortured at the central Johannesburg union complex.

Before the raid on the Congress of South African Trade Unions, known as COSATU, a large security force with police dogs and whips surrounded the headquarters of the 600,000-member federation.

The federation said in a statement that government moves against it were "part of a campaign to destroy the progressive trade union movement and to replace it with passive and undemocratic trade unionism."

Meanwhile, the federation and the United Democratic Front, the major coalition of anti-apartheid groups, declared May 5-6 as work stoppage days in opposition to the whites-only parliamentary election Wednesday.

A police spokesman said that if workers were intimidated or prevented from going to their jobs, the police would take action.

In Cape Town, hundreds of students stayed away from classes Wednesday after police used whips Tuesday to disperse student protesters. Twenty-five students were arrested Tuesday in the second day of violence at the predominantly white University of Cape Town.

More than a million black workers and hundreds of thousands of black students were expected to join the planned boycott, according to the New Nation, a militant weekly newspaper.

The police raid on the union federation followed a formal understanding by police Tuesday in a provincial court not to unlawfully assault, harass or intimidate members of the Congress of South African Trade Unions at their headquarters.

The pledge was given by a divisional commissioner of police after the federation sought a Supreme Court order restraining the police from attacking union members at the headquarters.

The federation had charged that



## Hirohito Marks 86th Birthday

More than 40,000 people jammed the imperial palace in Tokyo on Wednesday to cheer Emperor Hirohito, above, on his 86th birthday. Hirohito, the world's longest-reigning monarch, made three brief appearances before well-wishers, who greeted him with shouts of "barzai," or "long life."

## U.S. House Adopts Plan to Cut Trade Imbalance

By Stuart Auerbach

WASHINGTON — The House of Representatives narrowly adopted tough trade language Wednesday that would force President Ronald Reagan to retaliate against leading trading partners, including Japan, Korea, West Germany, Taiwan, Italy and Brazil.

The amendment, sponsored by Representative Richard A. Gephardt, Democrat of Missouri, was approved by the House by a 218-214 roll call vote.

The vote occurred as Prime Minister Yasuhiro Nakasone of Japan was en route to the United States to try to calm the anger in Washington against Japan and its trade policies. He was scheduled to meet Mr. Reagan on Thursday.

Mr. Reagan campaigned against the Gephardt proposal, and House Republicans asserted that its passage would trigger a certain veto.

The victory on the House floor gives Mr. Gephardt's presidential bid a major boost, especially in early primary and caucus states. The heavy newspaper and television coverage leading up to the vote has enhanced his name recognition and elevated him above the rest of the pack of lesser-known Democratic contenders.

Just before the vote, Mr. Gephardt said his amendment was needed to stem a decline in U.S. competitiveness. He said that business leaders and labor officials told him it does not pay to try to sell overseas because markets there are closed to U.S. products.

He insisted that the United States has to begin to get tough on trade to open up these markets. "We have asked for change but gotten it simply because we are not credible," he said. "We are not demanding change."

"What we do is more important than what we say," he added, "and that is what this amendment is all about."

Mr. Gephardt's proposal would force cuts of 10 percent a year in the trade surpluses of some of the

U.S. Justice Department said evidence showed Mr. Waldheim aided in the deportation and execution of thousands of Jews and partisans while a lieutenant in the German Army in the Balkans.

## Waldheim Assails Meese For Banning

The Associated Press

VIENNA — President Kurt Waldheim, his voice quivering, criticized Attorney General Edwin Meese 3d on Wednesday for barring him from the United States.

In a speech in Eisenstadt, south of Vienna, Mr. Waldheim departed from prepared remarks to express his hurt at the decision and to assail Mr. Meese for placing him on a "watch list" of undesirable aliens.

"We didn't say he was guilty, we just voiced a suspicion," he said, in an apparent mocking imitation of Mr. Meese.

"What use are the statements of Mr. Meese that it's just a suspicion on the basis of which he was put on the so-called watch list," Mr. Waldheim said, his voice shaking with emotion.

The U.S. Justice Department said evidence showed Mr. Waldheim aided in the deportation and execution of thousands of Jews and partisans while a lieutenant in the German Army in the Balkans.

## Waldheim's Own Data

Earlier, *Leslie Maitland Werner of The New York Times* reported from Washington:

"The Justice Department's year-long deliberations over whether to approve a recommendation that Mr. Waldheim be barred from the United States was largely spent investigating information that he submitted to rebut charges against him, according to department officials.

They said Tuesday that the Reagan administration wanted to allow Mr. Waldheim, the former UN secretary-general, a full opportunity to present his case, which he did through several detailed memorandums with supporting documents and affidavits.

The decision to bar him, announced Monday, did not depend on any particular new information uncovered in the last year since the department's Office of Special Investigations first proposed the action against him, officials said.

Rather, they said, as the department delved into the information submitted by Mr. Waldheim, it gained a fuller understanding of his wartime role.

The more we dug, the stronger the case got," an official said.

He added that the State Department now had sufficient data on Mr. Waldheim's involvement in Nazi persecutions that if he had been a naturalized American citizen the department would have sought his deportation.

In addition, the official said, the department believed it would be successful in meeting the higher standard of proof required for deportation.

Under the 1978 law invoked Monday to exclude Mr. Waldheim from entering this country, however, the department only needed to show there was reason to believe he acted under Nazi direction and took part in persecutions based on race, religion, national origin or political opinion, the official noted.

Officially, Mr. Waldheim's name will now go on an Immigration and Naturalization Service "watch list" that is used to exclude people seeking to enter the country. There are

## NEWS ANALYSIS

## U.S. Treasury Secretary's Policies Meet Growing Skepticism

By Peter T. Kilborn

WASHINGTON — The once-celebrated policies of Treasury Secretary James A. Baker 3d are eliciting growing skepticism as world economic growth persistently slows down.

Until a couple of months ago, Mr. Baker could point to some noteworthy achievements. But now, evidence of deterioration is showing up everywhere — in the still-sinking dollar, rising interest rates, growing inflation, a slowing of the world economy.

Mr. Baker is also losing influence in a get-tough Democratic Congress and even in the policy-making councils within the administration. Increasingly, he is seen as a man who has played out his string and has nothing new to offer.

"The bloom is off the bud," said Lawrence A. Kudlow, a former senior economist with the Reagan administration and now chief economist at Bear, Stearns & Co. in New York. "His currency plan and his debt plan are crumbling now. His credibility in the financial markets has fallen considerably."

In the fall of 1985, Mr. Baker, the policy maker for a free-trade, free-market administration, faced compelling signs that the world economy was weakening and might soon undermine that of the United States.

He — or President Ronald Reagan — rejected the solution of sharp reductions in the federal budget deficits and made two other choices instead.

He would back the calls in Congress for tough restraints against imports by driving down the value of the dollar. And he would defuse the crises over the debt of developing countries by

policies that encouraged their economic growth.

In the view of Mr. Baker and others, the Treasury was at least willing to tackle the problems and kept things from getting worse.

"These are all very difficult issues," Mr. Baker said Tuesday. "I'd like to ask you where you think we'd be if we had been unwilling to address them."

Mr. Baker can cite as evidence of his success the sharp decline in inflation, some containment of the debt problem and the pain that the fallen dollar has inflicted on Japan. But a stubbornly high American trade deficit implies failure as well.

World leaders, international economists and congressional leaders had expected more substantial gains. Two problems, they say, un-

der Treasury Secretary James A. Baker 3d.

## How High the Yen, How Low the Dollar: Reagan Advisers Split

By Leonard Silk

NEW YORK — As Prime Minister Yasuhiro Nakasone of Japan arrives in Washington for his talks with President Ronald Reagan, there are uncertainties and divisions within the American camp on the matter of greatest immediate concern to the Japanese: the yen-dollar exchange rate.

There are questions about whether the United States means to help stabilize the dollar or let market forces carry it further down as a means of reducing the trade deficit.

But his pragmatic and eclectic advisers, led by Secretary of the Treasury James A. Baker 3d and Paul A. Volcker, the Federal Reserve chairman, hold that the dollar has fallen enough — or more than enough.

They contend that a further decline will upset the currency and security markets, endanger necessary capital inflows, generate inflationary expectations, drive up interest rates and hurt growth in both Japan and the United States.

Mr. Wallis was asked Thursday whether President Ronald Reagan would assure Mr. Nakasone of further American measures to support the dollar at about its present level. He said that Mr. Baker had the responsibility for dealing with the exchange-rate issue, but would not be involved in the Reagan-Nakasone talks, since he would be in Australia.

In any case, Mr. Wallis added, the exchange rate between the dollar and the yen was "not the kind of issue" he would expect the president and the prime minister to handle.

But the dollar plunged against the yen late last week to its lowest level in the postwar period, setting off fears in the securities markets, and Mr. Baker canceled his trip to Australia.

Why? A Treasury spokesman said Tuesday that the White House had originally asked Mr. Baker to make the Australian journey for "diplomatic reasons" but had now asked him to cancel the visit to help deal with what the president regarded as a protectionist trade bill in Congress.

At the end of last week, Mr. Baker said the dollar had fallen against the yen late last week to its lowest level in the postwar period, setting off fears in the securities markets, and Mr. Baker canceled his trip to Australia.

## In London, an Economy Outside the Tax Rolls

By Warren Geeler

LONDON — They will be in Euston Station again Friday, waiting for the 5:55 P.M. express train to Liverpool — about 40 young, brawny men, each carrying a single piece of luggage.

Officially they are unemployed workers from Liverpool, the manufacturing city in northwest Britain, where unemployment remains above 20 percent. Unofficially, they are skilled construction workers heading home after a profitable week in London's underground economy. None of the money they earn is reported to the tax authorities.

The men are part of a growing

## Wallowing in Gooey Food, or the New American Wrestling

By Lindsey Gruson

JERSEY SHORE, Pennsylvania — After months of expectation, the magic moment arrived. Over the roar of about 1,200 pumped-up fans in the high school gymnasium here, the announcer introduced "Sunshine" and her manager, the Angel of Death.

"The prom isn't anything compared to this," said Sunshine, who on other days is called Adrienne Smeltzer, a junior at the high school. Clad in a pink and black swimsuit and cheered on by most of her family, she climbed into the ring and began wrestling with her best friend, Elisa Steinbacher, known also as Cornfed Rita, in 1,200 pounds (about 545 kilograms) of lime Jell-O.

Jell-O was soon flying out of the ring. Two minutes later Sunshine and her opponent lay exhausted, covered from head to

foot in melting gelatin. It stuck in their hair, in their nostrils and in between their toes. Officially their bout was a draw. But the delighted crowd, who gathered in Jersey Shore for the Second Annual Jell-O and Chocolate Pudding Wrestling Match, gave the decision to Sunshine.

In rural areas across much of the United States, watching people wallow in gooey foods has become a popular pastime. It is much like mild wrestling, which was once a staple at seamy bars but is now considered good clean family fun. Participants volunteer their services and the matches regularly sell out and have become feature attractions at county fairs.

They are fast supplanting car washes and bake sales as the most popular way for schools to raise money for marching bands, football uniforms and class trips.

## Kiosk

### Pakistani Jet Is Shot Down

ISLAMABAD, Pakistan (Reuters) — A Pakistan Air Force jet was shot down Wednesday while chasing Afghan aircraft near the north-west border, the Associated Press of Pakistan reported.

The news agency said the plane was hit by a missile while chasing a formation of intruding Afghan aircraft near Miran-shah in the North Waziristan tribal area. The plane crashed near the Pakistani-Afghan border. The pilot ejected and was taken back to base, the agency said.

### Lagos Campus Closed

LAGOS (AP) — The Nigerian police have blocked entrances to the University of Lagos campus and administrators closed the school after student demonstrations in which three students were critically injured, Lagos radio reported.

### GENERAL NEWS

■ U.S. Foreign Service political appointees are a source of contention under President Ronald Reagan. Page 5.

■ Several congressmen want to stop the Soviet Union from moving into its new embassy in Washington. Page 3.

■ The Reagan administration rebuked a senior arms adviser for criticizing the president's arms control strategy. Page 3.

### BUSINESS/FINANCE

■ Thomson-CSF of France and STET of Italy announced plans to create Europe's No. 2 semiconductor company. Page 17.

■ Ford had record first-quarter earnings that beat out the profits of General Motors and Chrysler combined. Page 19.

### To Our Readers

Because of the May 1 holiday, there will be no Friday issue of the IHT. Publication resumes Saturday.

The Daily International Investor



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# Reagan Adviser Is Rebuked for Criticizing Arms Strategy

By Steven V. Roberts  
New York Times Service

WASHINGTON — The Reagan administration has rebuked Edward L. Rowny, one of its senior arms advisers, for criticizing the president's arms control strategy. It said Mr. Rowny's comments could complicate talks with the Soviet Union.

"It is somewhat difficult, and there's no sense denying that," Martin Fitzwater, President Ronald Reagan's spokesman, said Tuesday.

"I think it is fair to say that there are people who are somewhat upset about it and would rather be didn't make those comments, but I have not heard of any efforts to change his status as a negotiator."

In an interview Tuesday, Mr. Rowny was less critical of Mr. Reagan, saying, "I expect diverse opinions in the shop."

But he did take issue with Mr. Rowny's suggestion that the administration was not doing enough to reduce the Warsaw Pact's nuclear superiority in conventional

forces while it was seeking reductions in medium- and short-range nuclear missiles in Europe.

Mr. Rowny insisted that this superiority "would have to be taken into account" in any agreement between Washington and Moscow on medium- and short-range missiles.

As Mr. Rowny spoke, the State Department rejected a Soviet demand that U.S. warheads for West German missiles be destroyed as part of an accord.

The Soviet demand was made in a formal statement Monday at the Geneva arms talks. The Kremlin also presented a draft treaty on medium-range arms at that time.

On Tuesday, Charles E. Redman, the State Department spokesman, criticized the demand.

"The Soviets had never previously raised the question," he said. "For them to raise this issue now suggests a lack of serious intent."

On Monday some officials said they had expected the issue to be raised and that the elimination of the warheads should be considered. The United States has taken the

position that the nuclear weapons of its allies should not be covered by a Soviet-American treaty. But while the British and French have their own nuclear warheads, the warheads for the West German missiles are under U.S. control.

Mr. Rowny, a retired army lieutenant general who has spent 15 years in arms control work, prompted the debate Monday when he praised a commentary by former President Richard M. Nixon and Henry A. Kissinger, who was Mr. Nixon's chief foreign policy adviser, on the need to link a missile treaty with reductions in Soviet conventional forces. The article was published Sunday in the Los Angeles Times.

Mr. Rowny did not endorse their position, but he said the negotiations with Moscow should not be focused solely on the issue of medium- and short-range missiles and should also deal with such matters as conventional arms, regional conflicts and human rights.

He said the Soviet offer on medium- and short-range weapons was

a "pretty good deal." But he added: "That's the small picture. We have to look at the big picture."

"We don't have a consistent strategic policy," said Mr. Rowny, who said he was talking about policy of recent administrations and not just that of Mr. Reagan.

Mr. Reagan did not state explicitly how the conventional weapons problems would be addressed. But White House officials have said the administration would probably try to attach an "understanding" to any arms pact, asserting that both sides would make a special effort to negotiate a reduction in conventional arms in separate talks.

Mr. Rowny has been one of many figures in recent days warning that the administration had not been sufficiently concerned about the Warsaw Pact's numerical advantage in conventional military forces. This advantage, the critics say, would leave Western Europe vulnerable if nuclear missiles stationed there were removed.

The United States and the Soviet

Union have tentatively agreed to remove all medium-range missiles from Europe, with each side retaining 100 warheads outside Europe.

Earlier this month, Moscow also proposed removing from Europe all short-range weapons, those that can travel 300 to 600 miles (about 500 to 1,000 kilometers).

**Verification Issue**

Mr. Rowny and other officials had a mixed reaction Tuesday to verification proposals in the Soviet treaty draft. The New York Times reported from Washington.

The Soviets have noted that they will be seeking a verification agreement in some of the basic areas which we require," Mr. Redman said. But he added that "the devil is in the details," and that an extended, technical discussion was still required.

For example, an American specialist said there were potential problems with the language in the Soviet draft saying that inspection would be carried out at "declared" sites. Under the draft, reductions of

medium-range missiles would be carried out over five years and each side would ultimately keep 100 warheads outside Europe.

The draft treaty reportedly says that inspections should be carried out "where necessary." Government experts said this language would have to be clarified. They said each side might have to make a case for carrying out specific inspections.

The United States has proposed that each side carry out a limited number of inspections without having to justify them in advance.

The United States said the Soviet draft was more demanding in one respect. The Russians suggest on-site inspection for missile test sites and training ranges, while the United States has not proposed this.

The Americans have proposed that each side have the right to make a limited number of visits to "undeclared" sites that could be used to produce or keep medium-range missiles. The Soviet draft contains no such provision.

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## Falwell Steps Up Control Of Bakker's PTL Empire

By Art Harris  
Washington Post Service

FORT MILL, South Carolina — By barring the Reverend Jim Bakker from retaking the pulpit of the Praise the Lord empire, or PTL, the Reverend Jerry Falwell has placed himself firmly in control.

Beneath crystal chandeliers in the ballroom of the grand hotel built by Jim and Tammy Bakker with money from their flock, Mr. Falwell announced Tuesday after a PTL board meeting that the board had cut all payments to the Bakkers, who he said had received \$4.8 million since January 1984 in salaries and bonuses.

As a team of outside accountants examined the books of the multi-million-dollar ministry, Mr. Falwell also announced that the Reverend Richard Dorich, Mr. Bakker's successor as PTL president, had stepped down and that another top Bakker aide, David Taggart, had been dismissed.

It was Mr. Dorich who negotiated a \$265,000 payment to Jessica Hahn, the church secretary with whom Mr. Bakker committed adultery in the 1980 incident that led to his resignation in March.

Mr. Falwell, who was asked by Mr. Bakker to take over PTL, said: "We intend to stay and will not step aside."

He said of Mr. Bakker: "His ministry here has ceased."

Mr. Falwell said that all bonuses to other PTL executives had been stopped as of Tuesday and that all compensation would be scrutinized.

Harry Hargrave, a Dallas businessman who took over as chief operating officer Tuesday, said five

accountants from the firm of Arthur Andersen & Co. were studying the books.

"We reviewed operating statements through February," Mr. Hargrave said, "but we're going to have to break it down further to understand the cash flow. Also under way are audits to track down titles to cars, land and homes in possession of the Bakkers."

Mr. Falwell pledged to honor all PTL debts.

He did not respond in detail to questions of reported financial irregularities, nor to charges that Mr. Bakker had frequented prostitutes and engaged in homosexual activities. Mr. Bakker has denied those charges.

But a lawyer for PTL, Norman Roy Grutman, said later that he had spent hours going over tapes and other documentation of these allegations, presented by a Tennessee evangelist, the Reverend John Ankerberg.

"It was not evidence that could be cavalierly disregarded," Mr. Grutman said. "It came from credible people."

Mr. Falwell, who is based in Virginia, invited Mr. Bakker to face his accusers.

"If I were Reverend Bakker," he said, "I'd want to meet every one of them." He also said: "I have nothing but love and appreciation for the Bakkers. I look around and see so many good things they have done. I thank God for what is here."

He confirmed that the \$265,000 paid to Ms. Hahn came from PTL funds. The unwitting donor, said Mr. Falwell, was a contractor, Roe Messner, who is owed \$14 million



Jessica Hahn speaking about her role in the Bakker case.

## Soviet Embassy Plan Opposed in U.S.

By Neil A. Lewis  
New York Times Service

WASHINGTON — Several members of Congress have moved to force the Reagan administration to scrap the agreement allowing the Soviet Union to build a new embassy on one of the highest hills in Washington, according to officials in the State Department and on Capitol Hill.

"We want them off that site," Representative William S. Broomfield of Michigan, the ranking Republican member of the House Foreign Affairs Committee, said Tuesday.

Mr. Broomfield is working on one of several proposals making their way through the House of Representatives and the Senate to bar the Soviet diplomats from the site known as Mount Alto, in northwest Washington. Mr. Broomfield and others said in interviews that legislation to end Soviet use of the site was a certainty in the present atmosphere.

The legislation could take the form of amendments to a bill au-

thorizing State Department operations for the coming year. The bill is expected to be ready in two weeks.

Under an agreement signed in 1969, the Soviet Union and the United States provided each other with new embassy sites. The Soviet Union was given a high vantage point in Washington that some lawmakers say helps its electronic eavesdropping efforts.

At the same time, Congress has been investigating reported security breaches at the present U.S. Embassy in Moscow and assertions that the new embassy building under construction there is riddled with electronic listening devices.

The House Foreign Affairs subcommittee on operations voted Tuesday to subpoena State Department files after the chairman, Daniel A. Mica, Democrat of Florida, complained that information about security breaches in Moscow was being withheld from Congress.

The State Department spokesman, Charles E. Redman, said that some secret cables had been with-

held and that the State Department would "negotiate" their release to Congress.

In the Senate, Senator Bob Dole of Kansas, the Republican leader, has drafted a measure to force the Soviet Union to leave Mount Alto if the new U.S. Embassy in Moscow cannot be made secure by the end of the year.

A State Department official said Tuesday that there would be no impediment in international law to scrapping the agreement as long as Moscow was given proper notice and was paid for any damages.

The official said the Soviet Union was believed to have spent \$60 million to \$70 million so far on the site. Some lawmakers say the Soviet Union should be asked to compensate the United States for the \$140 million spent so far on the new embassy in Moscow.

President Ronald Reagan has said that the Soviet Union will not be allowed to occupy all the buildings on Mount Alto until the United States is satisfied that it has a secure new embassy.

## In Kuala Lumpur, a Party's Empire Critics Say Its 'Money Politics' Breeds Official Corruption

By Michael Richardson  
International Herald Tribune

KUALA LUMPUR, Malaysia — When the prime minister and other Malay politicians fought for top party positions at a weekend meeting, they did so in the marble and wood-paneled halls of a gleaming 40-story building.

The tower, completed in December 1984, is owned by the United Malays National Organization. The party, the chief component of a multiracial coalition that runs the federal government and most state administrations in Malaysia, has its headquarters in the building.

Next door is a 600-room luxury hotel. The United Malays organization owns that too.

The complex is part of a business empire built up by the party since the early 1970s. It has given the United Malays control of most of the main Malay and English-language newspapers, a television station, a commercial bank, a finance company, a merchant bank, substantial property holdings and ventures in manufacturing, trading and tin mining.

For many Malays this empire is a source of pride, a symbol of their ability to compete on an equal footing with the country's other major ethnic group, the Chinese.

Along with foreigners, immigrant Chinese have long been a dominant force in the economy. The use of political power to tilt the economic balance in Malaysia in favor of Malays has produced some controversial results.

At a meeting in February called to promote the principle of public accountability, Ahmad Noordin Almaria, a former auditor-general of Malaysia, decried what he said were falling standards of integrity in politics.

Other critics worry that "money politics" are encouraging corruption in the bureaucracy, reducing incentives for Malays to acquire sound business skills, accentuating the gap between rich and poor, and playing into the hands of Islamic extremists. Islam is the official religion in Malaysia and nearly all Malays are Moslems.

"Politics," said one veteran member of the organization, "has become primarily a contest for the spoils of office, for the patronage, licenses, concessions and contracts that go with power."

The party, he asserted, had changed during the last 20 years from being a rural-based organization in which teachers and local leaders played a key role, to one that was in danger of being dominated by businessmen and urban interests.

Prime Minister Mahathir bin Mohamad, who has been in office for six years, denied assertions that he tolerates or benefits from corruption.

He told the organization's general assembly on Friday that "in line with the assimilation of Islamic values, we have undertaken a clean up management at all levels."

Referring to financial scandals that have affected his government's credibility, the prime minister said that after the economy deteriorated several years ago — under the impact of falling international prices and demand for Malaysia's tin, oil, natural gas, palm oil, rubber and other leading exports — "a lot of unhealthy practices among businessmen and managers were exposed."

He said action was taken against some offenders, but "unfortunately we could not trace and obtain proof against others."

But the government, he added, would ensure that "all these cheats pay according to their crimes."

Critics assert that the Mahathir administration has tended to do too little too late in investigating cases of alleged corruption, mismanagement or conflict of interest where leading figures of the organization have been suspected of involvement.

In September, cabinet ministers were obliged to divest themselves and their families of stakes in companies.

But this ruling was only enforced after a public outcry following disclosure that Finance Minister Daim Zainuddin had acquired control of Malaysia's third largest bank to the detriment of a state-owned investment corporation.

Mr. Daim, a wealthy businessman, is a close associate of the prime minister.

Mr. Mahathir narrowly survived a challenge in voting Friday for his position as president of the United Malays organization. The challenge came from Razaleigh Hamzah, his trade and industry minister.

Hussein bin Onn, a former prime minister, said he believed the groundswell against Mr. Mahathir partly reflected dissatisfaction about alleged abuse of power.

"He must make a genuine effort to weed out corrupt people and clean this government," Mr. Hussein said. "That's the message I read from the results."

## Messages Indicate Waite Is Alive, Well

New York Times Service

LONDON — Unofficial, unconfirmed messages from Lebanon continue to report that Terry Waite, the kidnapped envoy of the archbishop, is alive and well, the archbishop's office said Tuesday.

Mr. Waite disappeared in Beirut on Jan. 11 while trying to negotiate the freedom of foreign hostages seized by Lebanese guerrilla factions. There has been no firm word on his whereabouts or health since then, and no formal demands for ransom have been reported.

"That's part of the frustration," said Chris Osborne, a spokesman

for the British Foreign Office. "There has never been a formal claim or demand and we are left with a bag of theories."

The archbishop, the Most Reverend Robert Runcie, has sought the aid of the Iranian government, which is thought to have considerable influence with the Hezbollah, or Party of God, faction that is suspected of holding Mr. Waite.

In particular, Archbishop Runcie appealed to the speaker of the Iranian parliament, Hashemi Rafsanjani, who in turn suggested the archbishop help trace hostages kidnapped by Christian Lebanese guerrillas.

## Northeastern U.S. Gets Spring Snow

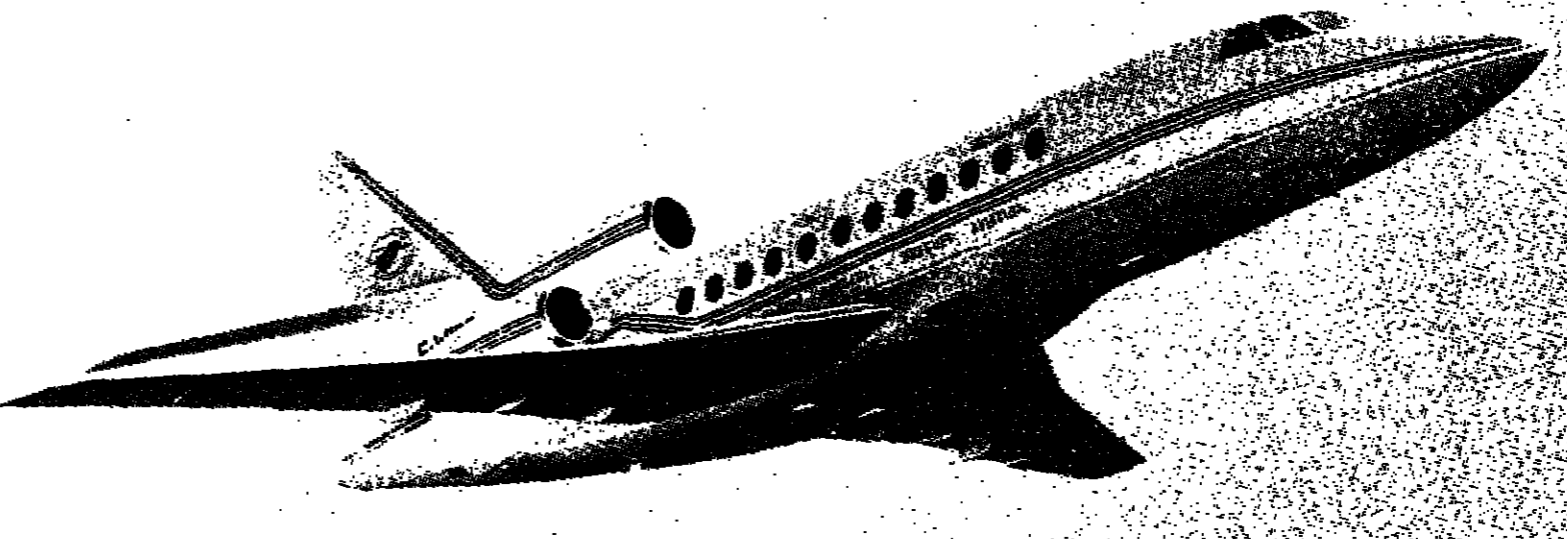
The Associated Press

BOSTON — An April shower in New England turned to about 15 inches (about 38 centimeters) of snow on Wednesday. Snowflakes and sand spreaders went out ahead of morning rush-hour motorists who already had removed their snow tires.

"We had our summer over the weekend," a state trooper joked Tuesday in the central Massachusetts town of Cheshire. "We're looking forward to winter now."

Snow also fell Wednesday morning over Maine, New Hampshire and Rhode Island, but much of it was expected to begin melting later in the day. Warmer temperatures and a chance of rain were forecast in Massachusetts and Rhode Island.

When it comes to private jets, one show sets the standard.



And one plane meets it.

## See the Falcons at the Paris Air Show. June 11<sup>th</sup>/21<sup>st</sup> 1987.

The Paris Air Show? It's where the elite decision makers in the aircraft field gather to face the manufacturers, highlight the winners, and set the trends. Where creators plan the aircraft of tomorrow. And buyers make it what it is today. If you believe that a plane has to be one of the most outstanding achievements of our time; a balance of technology, science and beauty, a harmony between high performance and extreme safety, you will be at the FALCON Display.

The widebody FALCON 900 is the most accomplished of large business jets: the only one built with the computer technology used for Mach 2+ fighter jets; the only one to do without stick pushers, stick pullers, stick shakers etc., required by most other jets; the only one to offer three engine safety; the only one with no flight restrictions to cross oceans and deserts.

Today's business jet operating community, major corporations and governments, know what DASSAULT's name stands for. Yet the FALCON 900 has redefined the limits of what a modern-day, large-cabin business jet should be. The heir of the most sophisticated engineering and aerodynamics in both the civil and military aviation spheres, FALCON 900 sets new standards of safety, performance and comfort for the large-cabin field. What other plane can satisfy the most demanding clientele in the world?

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**Paris Air Show**

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Business takes off with Falcon.

Herald INTERNATIONAL Tribune

A Tale of Two Budgets

Even the ebullient Yasuhiro Nakasone may be crestfallen this week as he discusses disputes between Japan and the rest of the world with American leaders.

ment saving, pushing the budget deficit up for a time. This takes a combination of higher public spending — on things Japan seriously needs — and tax cuts, and that is what the governing party seems to have promised for the next few months.

Meese's Brave Stance

Nazism embodied one of history's great evils; to resist it now, 42 years after World War II, sounds like routine virtue. But it can require strength, even courage.

Only then did the United States seek out the domesticated Nazis, strip them of their fraudulently obtained citizenship and deport them. The same law added Nazis to a "watch list" applied to foreigners who must dispel suspicions about their past to gain lawful entry.

Trash Without a Country

One day last month a sturdy barge pulled by a tugboat set out from Long Island, New York, for southern shores. It carried a cargo weighing 3,100 tons and consisting of a principal product of the northeastern United States, a product that some call the inevitable and irreducible detritus of the workings of an advanced civilization and that others call simply garbage.

of "permanent vigil" to guard against it, and then, at last report, to the vicinity of the nation of Belize, whose leaders Mr. Harrelson was attempting to persuade of the virtues of garbage as a source of gas.

Other Comment

The Cost of PLO Unity

The long-fading factions of the Palestine Liberation Organization have concluded their efforts at reconciliation in Algiers, proclaiming that unity has been restored after four years of bitter polemics and sometimes bloody hostility.

exploiting divisions within the PLO. In Lebanon, local forces remain determined to stop the PLO from re-establishing its armed autonomy. There are those in the Arab world who welcome the appearance of PLO unity.

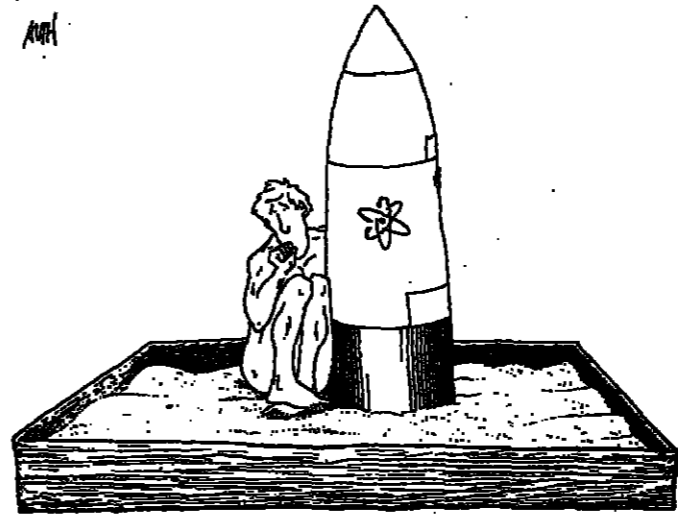
The Zero Option Wouldn't Leave the West Uncovered

By Helmut Schmidt

The writer, publisher of Die Zeit, was West German chancellor from 1974 to 1982.

HAMBURG — The rapid movement toward an arrangement that would remove Soviet and Western intermediate-range missiles from the European theater has caused great concern, even among longtime advocates of arms control.

track approach. What it amounted to was that, if negotiations were fruitless, the North Atlantic Treaty Organization would deploy its own missiles in Europe to counter the Soviet buildup, but would push forward with further negotiations to limit the deployment of intermediate-range missiles on both sides.



The intra-Western debate about zero-zero is somewhat confused. Nevertheless, it has produced two arguments about striking the deal that deserve careful consideration.

missiles, and Mr. Gorbachev has indicated his willingness to do so. Some military thinkers in the West, including the supreme allied commander in Europe, General Bernard Rogers, have stressed the belief that abandoning short-range missiles would deprive the West of the capacity to use nuclear weapons first in response to a Soviet conventional attack.

tion in less than a week after mobilization. We Germans, like the French and all other continental West European countries, have maintained the draft; we thus have at our disposal numerous fully trained reserves, whose deterrence value is high. It would be still higher if the French, the Benelux and the West German forces were integrated in the future.

An Asian-Pacific Trade Group Might Better Survive the Crossfire

By Malcolm Fraser

The writer, former prime minister of Australia, is on the executive committee of the Inter-Action Council, a group formed by former heads of government to analyze global problems and seek solutions.

KUALA LUMPUR — We now have a trade war, 1930s-style. Japan has become the whipping boy. In the United States and Europe, there are many who say it is Japan's fault. In trade wars, however, all participants are at fault.

agreement, for discussion in the GATT round of talks. But that is a tactical maneuver. Eventually, one of the major EC states will exercise its de facto right of veto on any proposals it dislikes.

Working alone, we are defenseless. Working together, we gain strength. Within a few years, even without China, the countries of Asia and the Pacific would have a combined economy larger than that of the EC.

subsidize exports. That has particular relevance for the EC and the United States. Asian and Pacific countries could initiate such a trade association, indeed, will be forced to do so, if Europe and the GATT do not change their ways.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1978-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

Glasnost: An Accident Or a Rewrite of Marx?

By Don Oberdorfer

This is the second of two articles.

WASHINGTON — When Georgi Arbatov was a young man, he helped ghostwrite the official textbook of Marxism-Leninism. His supervisor in the job, an old Bolshevik and Central Committee secretary named Otto Kusinier, made him rewrite a section on man and destiny 17 times.

have grown like topsy, largely unplanned. Thus another sign of Mr. Gorbachev's boldness — and his vulnerability — is his willingness to experiment with some of the most basic concepts of his society.

The Danger of an EC Snub to Turkey

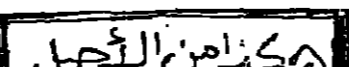
By Giles Merritt

B RUSSELS — Should Turkey be allowed to join the European Community? Ever since Ankara dropped its bombshell in mid-April by formally applying for membership, the 12-nation community has been agonizing over its answer.

national product is just above \$1,000 a year. And the new industries of which it is so proud are more likely to impress its Middle Eastern neighbors than visitors from the West.

dossier to the European Commission for a formal recommendation. It remains unclear how energetically Brussels will tackle the job. It could take years. Some observers talk of as much as 15 years elapsing while the commission prepares its report on Turkish membership.

1912: Getting the Story NEW YORK — Millions of newspaper readers who have been eagerly devouring every word about the greatest sea tragedy of all time have little idea of the tremendous efforts made by the press of the entire country to keep them acquainted with every additional detail of the thrilling story.







# TURKEY

## INDUSTRY, FINANCE AND TOURISM

*Under the premiership of Mr. Turgut Özal, Turkey has gone through four years of major economic reconstruction. Standing at the gates of Europe, and with one of the highest growth rates in the industrialized world, it has recently applied for full EEC membership.*

**N**OW that it has applied for full EEC membership, Turkey, which stands astride Europe and Asia, is a potential industrial and agricultural force that has to be considered by its future partners. It is about to become the economic powerhouse of the southeast Mediterranean and is already the military guardian of NATO's regional flank.

Many Turkish businessmen say their country will make a positive contribution to the EEC, even in the agricultural sector, and not simply take subsidies and handouts. "This is really a rich country and we have plenty to offer. We are not like some of the poorer Mediterranean regions," said one industrialist.

As the Turkish Premier, Mr. Turgut Özal, a proponent of free trade, says: "We don't want more aid, but we do want more trade."

Since Mr. Özal began a great liberalization policy and started to turn the hidebound state industrial sector upside down four years ago, Turkey has taken on a new, almost unrecognizable aspect, confounding many outside the country.

Turkey is now on a growth cycle in virtually all sectors of manufacturing and industry. When major irrigation schemes in the southeast of the country are completed, agricultural production is expected to triple.

Last year, it had one of the highest growth rates in the world — 9.2 percent, compared to 6.3 percent in 1985. It was the highest in any OECD country. This year the target is just over 6 percent, and there is every hope this will be achieved. Inflation has been slashed from 100 percent in 1980 to a little over 30 percent last year. By the end of 1987, it is hoped that the rate will be further lowered.

Turkey's per capita income of \$1,000 means that few Turks are well off as individuals, and unemployment is high — more than 2.5 million.

The emphasis today is very much on exports — from textiles to glass to machinery and agricultural products. Last year, exports were worth more than \$8 billion, with manufactured goods making up 75 percent of the value. During the first ten months of last year, imports totaled just over \$9 billion, less than one percent more than the corresponding

period in 1985. Exports for the same period were \$5.9 billion. Workers' remittances have been steadily falling, and were \$1.2 billion during the first nine months of 1986.

The financial sector, with more than 50 banks, has been going through a period of restructuring and consolidation due to the culmination of non-performing loans — many to the state industrial sector — during the early and mid-1980s. Now being weaned into profitability, the banks are becoming better managed and more internationalized. In order to boost the export trade, a strong emphasis is being put on trade finance.

Turkey is forging ahead as an industrial nation, and actively developing its tourist industry, which is now the least developed in the Mediterranean (2 million visitors last year). The government recently embarked on a major program to build and improve resort facilities, especially on the Aegean and Mediterranean coastlines.

Mr. Özal's free market policies have had a rapid and profound effect on restructuring the country. Since his election in 1983, he has introduced free zones, put state corporations under the microscope, ordered major investments in communications and transportation infrastructure, put the squeeze on poorly run banks and, most important, tried to get a clean bill of health from the International Monetary Fund and the World Bank as he pushes growth rates up and inflation down.

In order to attract more foreign investment, vital in order to modernize the industrial sector, much of which still rumbles along on outdated technology, he has introduced BOT — build-operate-transfer — for big infrastructure projects. BOT schemes include the second Bosphorus Bridge, now nearing completion (a third bridge is to go ahead as well), some thermal power stations and a big tourist development project.

Under the BOT scheme, a bidder for a contract also raises the financing, operates the project and after a period of usually 15 years, can sell off its share in the joint venture, probably to the local partner.

One of the biggest boosts to manufacturing and the economy is the 25-year bilateral trade agreement signed with the Soviet Union in 1984. Under the deal, the Soviet Union



The Bosphorus bridge linking East and West.



Mr. Turgut Özal, the Turkish Premier, a proponent of free trade.

will deliver 750 million cubic meters of gas beginning later this year, providing Turkey with a massive injection of cheap energy. This amount will rise to 6 billion cubic meters by 1993 and will be paid by offset trade — either services, such as construction, or manufactured or agricultural exports.

Turkey has limited natural oil resources, hence the recent confrontation with its Greek neighbor in the Aegean. Greece has eyed Turkey's application to join the EEC coolly, as the Turkish economic machine gears up and politicians and businessmen in Ankara and Istanbul try to reach a mutual understanding about what is best for the country.

Mr. Nuh Kusculu, chairman of the influential Istanbul Chamber of Commerce, commenting on the change in Turkish attitudes toward the EEC, says the spirit of the original EEC agreement that gave Turkey associated membership was not really understood. "Now, since we did proper studies after 1979, we understand the crucial necessity of belonging to the EEC," he says.

A more outspoken view comes from the KOC industrial empire where vice president Mr. Tugrul Kudatgobilik abruptly dismisses ill-informed foreign comment that Turks are Arabs, saying: "We have been living for the past four centuries in Europe, our mentality is European. It is not only the Treaty of Rome that gives us the right to belong to the

EEC, but history itself also gives us the right. Our trade and investment link depend on Europe, 55 percent of our raw materials and imports come from Europe and we want to continue this way."

Many Turkish businessmen are dismayed at the somewhat medieval image that some Europeans have of Turkey. "We are certainly not just ignorant peasants," says one businessman.

Mr. Sarik Tara, chairman of Enkes Holding Investments, a major construction group, says: "Turkey's greatest mistake is allowing Europe not to know us and not to realize our potential. Europe can serve us in many ways and we can

(Continued on page 8)

### CORPORATE BONDS

## Which bank has underwritten 40% of bond issues in Turkey?

 T.Ö. Bankası 500.000.000 TL	 PEKİKO 500.000.000 TL	 T.Ö. Bankası 500.000.000 TL	 Kartonsan 500.000.000 TL	 AUSTIN 750.000.000 TL	 ALARKO 700.000.000 TL	 Koc Holding 600.000.000 TL	 PARSAN 1.000.000.000 TL
 Marmara Bankası 750.000.000 TL	 Halkbank 500.000.000 TL	 T.Ö. Bankası 950.000.000 TL		 ADEL 1.200.000.000 TL	 ÇELİK HIRTAJ 2.000.000.000 TL	 İTİBANK 1.000.000.000 TL	 EEE HESİM 1.000.000.000 TL

Turkey's capital market is growing fast. And as you can see, İktisat Bankası has been at the forefront of its development. We are the only merchant bank to be included by the Government in the syndicate of banks for the distribution of Bosphorus Bridge Revenue Sharing Certificates. Not surprisingly, we are also the leading bank in domestic bond issues. We can provide almost every merchant

banking service you want in Turkey, from a complete package for project finance to international trade finance, where we have a 10% market share. Our branch network and our foreign exchange department have on-line real-time automation, so we are always able to act quickly and efficiently. Whenever time is money, you'll find İktisat can put you ahead of the competition.

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For further details please contact Arthur Wilkinson, Assistant General Manager, İktisat Bankası, Büyükdere Cad. 105, Esentepe, İstanbul, Turkey. Telephone: 172 7000. Telex: 27685. Fax: 172 5071. Branches at İstanbul (8 branches), Ankara, İzmir, Bursa, Adana, Mersin, Gaziantep, Denizli, Iskenderun, Samsun, Ordu.

### Industrial Expansion Fastest in OECD



The steel industry plays a major part in meeting Turkey's manufacturing requirements.

ANYONE who thinks of Turkey as a land of farmers where things have changed little since time immemorial, is badly out of date. The country has the fastest-growing manufacturing sector in the Organization for Economic Cooperation and Development (OECD) and is regarded as having an industrialized economy even though its per capita GNP is not much higher than \$1,000.

First-time visitors to Istanbul and Ankara are usually surprised by the bustling industrial world they find with its growing private sector. Turkish industry consistently grows at annual rates of more than 5 percent. It grew by an estimated 9.2 percent in 1986, and by 6.3 percent in 1985. The 1987 target is 6.4 percent.

A glance at the structure of Turkish industry reveals a paradox. About 60 percent of all manufacturing industries are still owned by the state (despite plans for some privatization) and more than half of fixed capital investment comes from the public sector. But Turkey's growth and its new-found success at

exporting come from the private sector. Most private sector corporations are basically family groups, with the giants nearly all based in Istanbul. Though there are about 15 major groups, the KOC and Sabanci industrial empires dwarf almost everyone else on the market.

Turkish industrial products are now remarkably diversified. The switch away from local market orientation to the export market in 1980 came at an opportune moment. Turkish producers sell more than 2,000 industrial goods ranging from motor vehicles to machinery, ceramics, glass, cement and processed foods. Turkey's geographical position and its relatively low labor costs give its industries a competitive edge in Middle Eastern and some Eastern European markets.

The lead sector remains textiles. Again, the outside world still has not realized how strong the Turkish textile industry is. In 1985, Turkey earned \$2.2 billion from textile exports, and has established itself as the main supplier for the European Community, a relationship

which may one day be the main prop for closer political ties. Turkey is the only textile supplier for which the EEC has recognized annual growth quotas of around 6 percent on average.

The biggest textile producer is the Sumerbank, now being reorganized by its general manager, Mr. Erkan Tapan. Other leading firms are Altinyildiz, Soltas and Mensucat Santral.

Like Sabanci and KOC, the other major groups — Anadolu Endustri Holding, the Cukurova Group, Yasar Holding, to name a few of the largest — tend to have a finger in every sector from the automobile industry to food and drink and to tourism. All except AEH own at least one bank. Cukurova owns three.

None of these is as large as Tupras (the state-owned petroleum marketing company) or TEK (the electricity authority). But as suppliers who have done business with both the private and public sectors in Turkey will confirm, there is a world of difference between the two.

Turkish industry has been undergoing major and often

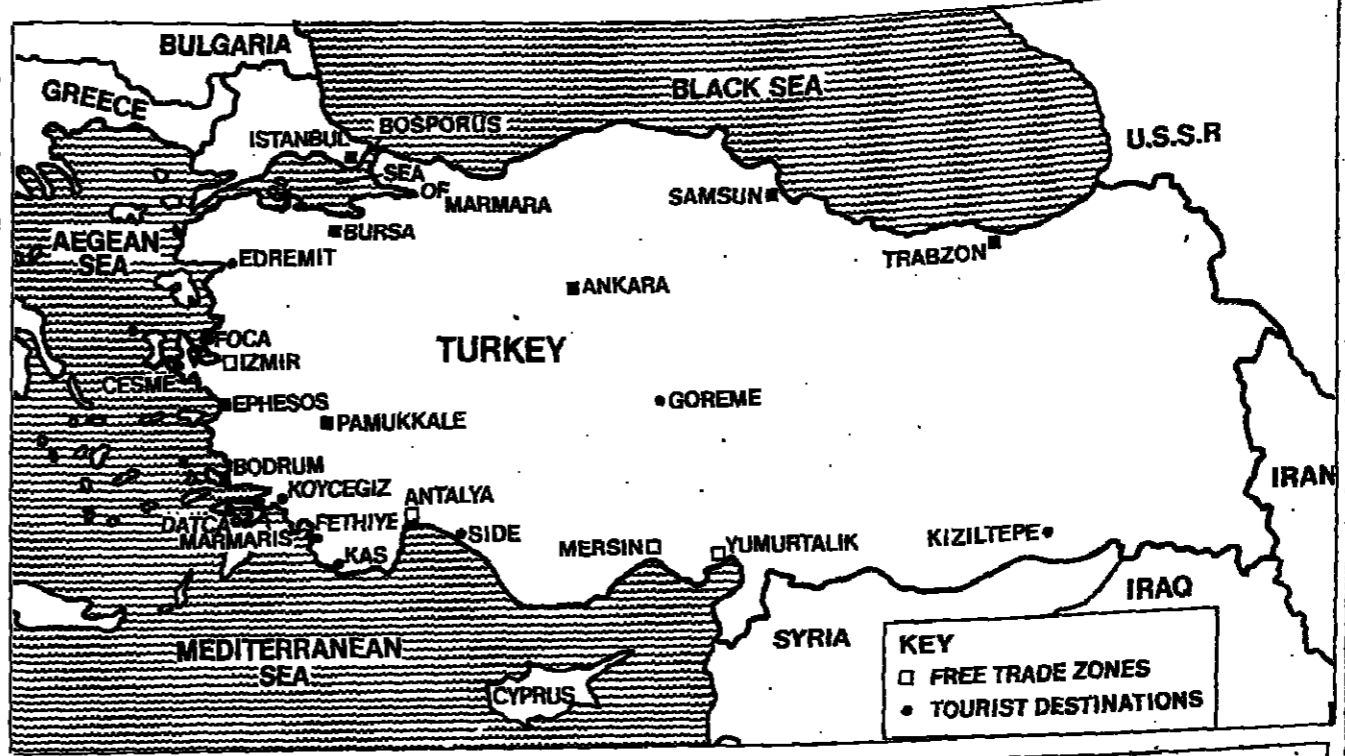
difficult changes since around 1980, receiving only limited assistance from the state. Demand has been cut in the domestic market. Interest rates have risen from 30 to 50 percent above inflation — no one quite knows what banks charge for their borrowing — but it seems clear that until very recently, funds were only available at 70-80 percent, even if costs are now finally falling.

Export markets have had to be conquered with little expertise (though it seems to have been quickly acquired) and with no export insurance facilities. The major assistance has been tax rebates on export earnings, something GATT is pressuring Turkey to phase out, and a rule that the equivalent of up to 20 percent of export earnings in a firm's profit is exempt of corporation tax.

In addition, many Turkish private sector corporations complain about unfair competition from the state sector and capricious price increases for raw materials without regard to market conditions. Hikes of 66 percent with no warning are not uncommon. And state sector raw materials may be of doubtful quality or delivered late.

"I don't think Western businessmen appreciate the handicaps we have to work under every day," says the president of one large Istanbul corporation. "If they had sudden power cuts, bureaucratic interference, impossibly high interest charges and a virtual absence of skilled labor, they would feel that a 15 percent export tax rebate didn't go very far to offset the disadvantages they faced."

But in spite of these difficulties, Turkish private sector industries have mostly managed to live with the turnaround of the 1980s. There have been a few bank-



KEY □ FREE TRADE ZONES • TOURIST DESTINATIONS

(Continued from page 7)

serve Europe in return. It is essential that we join the EEC."

Mr. Nejar Eczacibas, head of one of Turkey's largest pharmaceutical groups and a perceptive internationally-minded businessman, firmly believes in joint ventures and the transfer of technology in order to keep abreast of developments. "Just now Turkey is ready to take on board more technology, although it is not always a question of 'know-how' but sometimes know-who," he says. He too is a keen supporter of the EEC. "We are absolutely ready to join. We have no alternative. We cannot look to the East, and integration with the European markets is our only way ahead," he adds. He does not foresee any real difficulties over agriculture. "We have vast natural resources in agriculture, and what the rest of Europe doesn't have, we have, and vice versa," says Mr. Eczacibas. He believes that Turkey could readily absorb many of the EEC's surplus agricultural products such as from the dairy sector.

Turkey is one of the world's largest wheat producers; it also grows tobacco, tea and many kinds of nuts not produced in any large quantity by EEC countries. Some economists argue that Turkish agricultural exports on a swap basis might help smooth out the farm produce anomalies that are the despair of the EEC commission in Brussels.

More European than Asian, more Asian than European; a bridge between Asia and Europe, or a bridge between Europe and Asia; the crossroads between East and West — such descriptions of Turkey abound. But the feeling today is very definitely biased towards Europe, especially in Istanbul, the commercial heart of the country. — Lee Voysey



One of the gateways of the Dolmabahce Palace overlooking the Bosphorus.

ruptcies — some of which have helped pull down banks with them — but not as many as seemed likely five years ago.

"Don't underestimate the difficulties the corporations

face," warns an Istanbul industrialist. "Many of them are very short of working funds and things are still difficult in a few cases. If you want to see who is healthy, take a look at the export performance of firms."

The market leaders are now concentrating on areas they barely touched a few years back — marketing, research and development

(when Turkey still lags far behind its competitors). Though grumbles are numerous and criticism of Mr. Ozal is not uncommon, his medicine is clearly working. — Thomas Fankner

### The distinctive line of Akbank

"Most profitable private sector company in Turkey"

ASSETS	Balance sheet as at 31.12.1986 US \$
Cash and due from banks	879,953,698
Reserve requirements	275,599,947
Treasury Bonds	217,905,808
Loans	910,247,387
Participations	89,744,675
Premises and equipment	66,873,925
Other assets	303,079,772
<b>Total assets</b>	<b>2,743,405,212</b>
LIABILITIES	
Deposits	2,142,329,673
Central Bank	9,831,988
Other liabilities	332,780,791
<b>Total liabilities</b>	<b>2,484,942,452</b>
STOCKHOLDERS' EQUITY	
Capital	66,146,316
Reserves	93,214,711
Profit (after taxes)	99,101,733
<b>Total stockholders' equity</b>	<b>258,462,760</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,743,405,212</b>

\*Capital has been increased to US \$ 158.8 million as of March 1987

AKBANK has shown a distinctive line in the banking scene towering in figures and ranging in activities.

With a dedication to increase its equity continuously, AKBANK more than doubled its capital from TL 50,000,000,000 (US \$ 66.1 million) to TL 120,000,000,000 (US \$ 158.8 million).

Still holding its position in Euromoney's list of top 500 banks, AKBANK has been recently appraised as one of the top 40 banks of the world by return on equity and assets.

However, figures aren't all. In its course of action, AKBANK offers the full means of a leading bank in and beyond the country.

In addition to its branches and representatives in the world business centers, AKBANK owns the only Turkish financial subsidiary abroad - Ak International Ltd. in London. In cooperation with Banque Nationale de Paris, AKBANK has also founded a new bank in Turkey, namely BNP-AK. Bringing in international finance and banking techniques to the country, BNP-AK has successfully completed its first year of activity.

In short, AKBANK has proved to be the active bank ever growing and ever accelerating in its distinctive line.

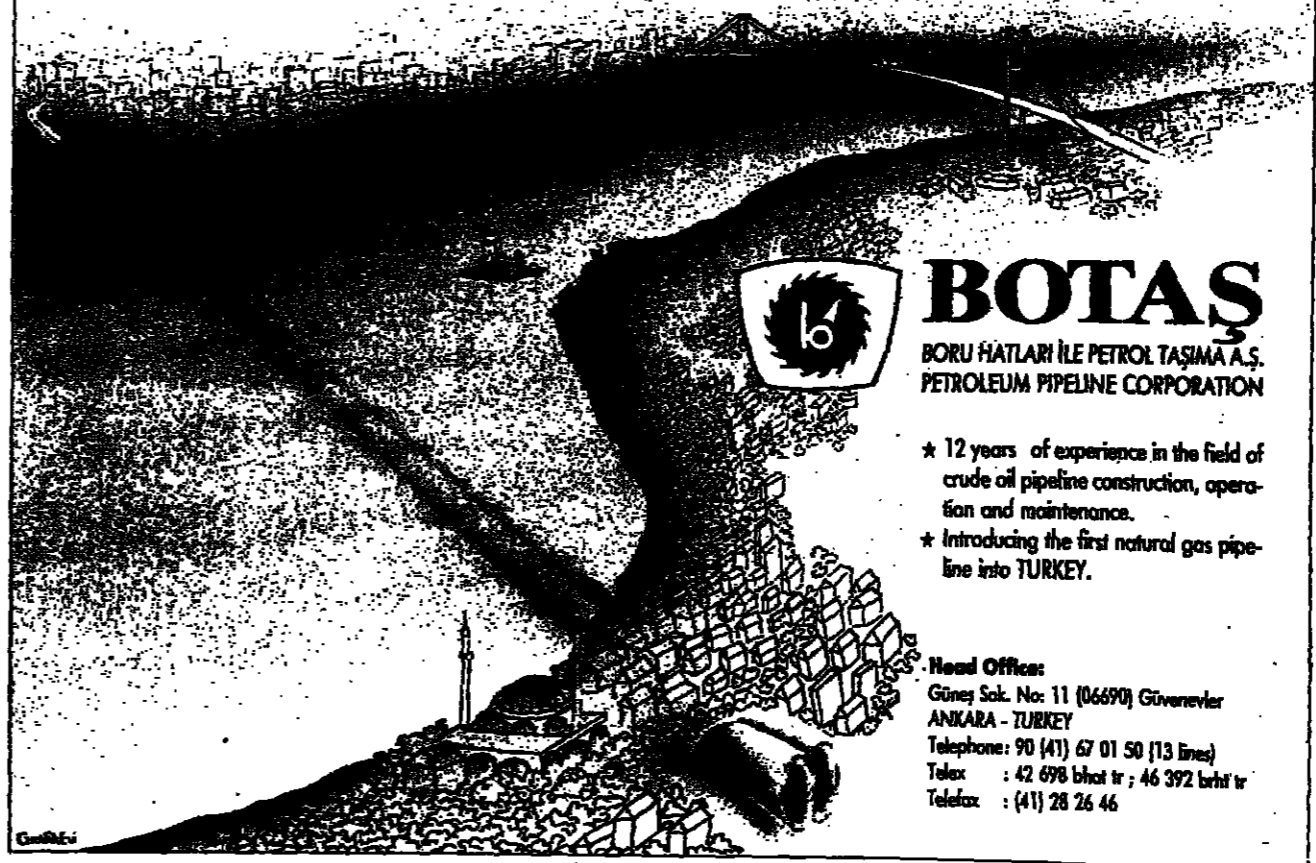
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VISIBLE AND INVISIBLE TIES BETWEEN EUROPE AND ASIA-MINOR GO SIDE BY SIDE... While a second bridge is under construction over the Bosphorus, BOTAS is laying a natural gas pipeline under the Marmara Sea, tying two continents even closer to each other.



## BOTAS

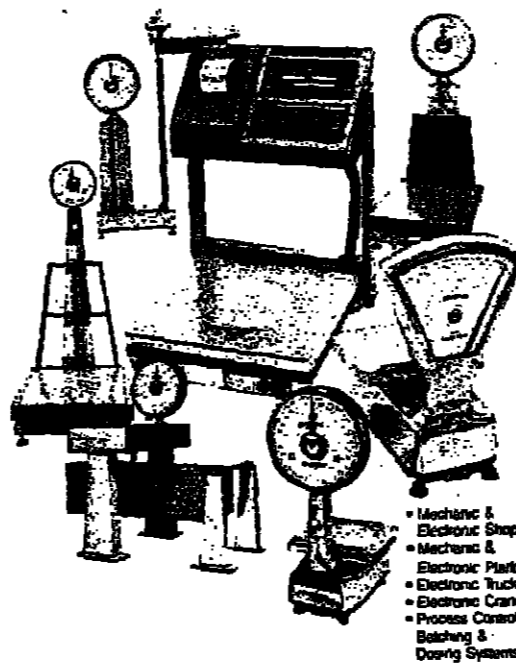
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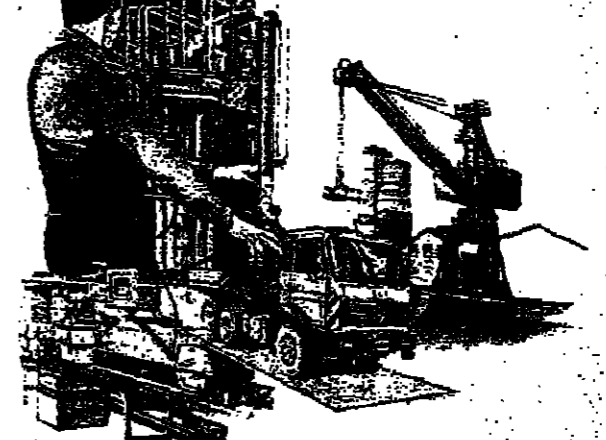
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PIONEERS OF WEIGHING IN TURKEY

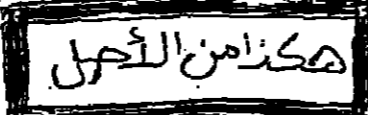
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## ADVERTISING SECTION

## ADVERTISING SECTION

## Banking Comes of Age

TRADITIONALLY, the man in the street in Turkey has regarded banks with suspicion. Most people prefer to deal in cash, according to Mr. Bülent Berker, deputy general manager of Türk Ekonomi Bankası. "They are not used to checks. They don't trust them." Turkey is generally a cash-based society and old habits are slow to change.

This helps to explain why retail banking is still in its infancy. Another reason is that, until recently, deposit rates were comparatively low and inflation high. Last year, it was quoted at 32 percent. The target this year is to bring it down to 20 percent. Consequently, the banks have concentrated on building up a sound base for trade finance, crucial for Turkey's exports and the domestic expansion of industry and agriculture.

Turkish banks are also trying to recover from a rash of non-performing loans and bad debts, mainly incurred before the present government administration. For some time now, there has been a continuing shakeout of some of the weaker banks.

The most recent rescue operation has been with Töbank, the teachers' bank, for which the government is canvassing would-be foreign partners. Töbank, which began operating in 1959, is the sixth largest private bank. Its development has been very much the brainchild of Professor Sait Kemal Mirmaroglu, one of its major shareholders. Töbank has been placed under the temporary trusteeship of three other banks and an insurance group, while the Central Bank looks for new partners, several of which are said to be standing in the wings.

Although Töbank's position has caused concern in banking circles, it also illustrates the fundamental change being forced on do-

mestic banks by Prime Minister Özal's protégé at the Central Bank (itself undergoing a change of name), Mr. Rüstü Saracoglu, its vice-governor, regarded by most as a "bankers' man." The Central Bank is making it clear that banks must take care of their own affairs, spruce up their management, check their assets, emphasize quality services, scrutinize their portfolios, improve their deposits and develop more off-balance sheet services.

With prospects of EEC membership becoming more tangible and with more pressure from the IMF, Turkish banks are anxious to put their house in order and increase their international credibility. Says Mr. K. Erhan Dumanli, assistant general manager of Akbank, the second largest private bank in terms of assets (currently around \$2.7 billion): "We are always a little orthodox, rather conservative, and not given to risk taking."

This reflects the views of many of the more successful banks that continue to err on the banking principle of caution. In the case of Akbank, Mr. Dumanli says its bad debts are less than one percent of total credits outstanding. Net income last year almost tripled to TL 87.5 billion (\$124.7 million). In March, its capital was increased from \$66.1 million to \$158.8 million. Besides being well managed, it has the advantage of being a wholly owned subsidiary of the highly successful Sabanci industrial conglomerate.

Akbank, with 600 branches, is also setting its sights on developing a firm retail base with modern computerization. It has about 5 million customers with some 8 million accounts. By the end of 1988, it will have invested more than \$27 million in computer

technology and hardware, bringing 260 of its branches on line. "This should cover 80-90 percent of all our activities in the future," says Mr. Dumanli. Akbank has also introduced plastic bank cards, but few people use them as yet. "They still prefer cash," says Mr. Dumanli.



The Akbank head office in Istanbul.

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About 12 percent of the country's overall trade finance is now handled by İktisat Bankası Turk, which also plays an active role in the capital markets and in international syndicated loans. A perceptive merchant banking operation headed by Mr. Erol Aksoy, İktisat has been rapidly pushing back the frontiers of banking in Turkey, developing new ways of making money that are being followed by other players in the market. İktisat has been very active in treasury and corporate bonds. During the first nine months of last year, government bond sales totaled TL 95.2 billion (\$135.8 million), corporate bonds TL 20.3 billion (\$28.9 million) and income sharing certificates TL 6.1 billion (\$8 million).

Mr. Aksoy prefers to look

for the profit motive on the bond market rather than in income from deposit rare competition, which is unduly influenced by the government. Other innovations on the Turkish banking scene have also been inspired by Mr. Aksoy, who has gone after project financing and revolving trade credits. The bank is heavily involved — to the tune of \$30 million — in one of the gas pipeline projects and has succeeded in negotiating a deal with Britain for export guarantee payments for much needed capital goods.

Esbank, one of the oldest banks, is also heavily involved in trade financing. Also sensitive to the wind of change via the microchip is Türkiye İş Bankası, ranked by Eurromoney as the largest Turkish bank in terms of net worth. Its capitalization is due to be increased to TL 250 billion (\$317 million). The government owns 40 percent and the Workers' Pension Fund 35 percent.

It has already invested \$40 million in technology since 1980 and intends to push this figure up to \$100 million by 1990. With

more than 10 million current accounts at its 930 branches, improved efficiency is regarded by Mr. Ahmet Yavuz, deputy executive general manager, as a crucial ingredient for profitability and for the preservation of its 20-25 percent share of banking in Turkey.

"We have to give prompt and efficient services and this can only be done by more computerization," says Mr. Yavuz. Ankara, Istanbul and Izmir will serve as the three regional computer centers for the bank. About 100 branches will be on line soon, and by the end of the year there will be 200 handling about 80 percent of all transactions. About 50 ATMs (automatic teller machines) will also be installed this year.

As the bank is anticipating a downturn in deposit flows, partly because of low interest rates and partly because of increased activity in public sector securities, it is developing new financial activities such as leasing, investments funds and free zone banking.

It has also intensified its international operations, making first entry into international syndicated credit markets last year when a \$150 million credit was raised in less than two weeks, without government underwriting — this was a significant step forward. With the prospect of EEC membership looming closer, İş Bankası is aiming at closer links with international capital markets and further development of state-of-the-art financing techniques.

More emphasis on international markets is also being placed by Garanti Bankası, primarily a retail bank with 288 branches. "We too are undergoing continuous change to keep abreast of developments," says Mr. Solmaz Ayarslan, assistant general manager. "We

are financing a lot of domestic trade and are now concentrating on the international side as well."

Garanti has established a project finance department aimed at attracting foreign investors to specialized growth areas, particularly in the agricultural sector. In the past, considerable emphasis has been placed on the development of manufacturing industries, which have sharply increased production.

But Garanti Bankası believes that in the longer term, especially when the massive irrigation projects it is financing are completed (GAP and Konya are the two big ones) agribusiness activity will rise dramatically, especially in value terms. It is also trying to increase its corporate business, but as Mr. Alın Öngör, assistant general manager, points out, Garanti doesn't want to become a small corporate bank with retailing activities, but a stronger retail bank with a corporate side.

Also internationally audited is Türk Ekonomi Bankası (TEB), a relatively small bank largely confined to merchant banking operations. A highly professional operation, it follows the much vaunted "cautious approach," which seems to be the hallmark of successful commercial expansion in Turkey.

"We have a very select client base and we're mainly interested in international trade finance: we don't handle any medium or long term loans beyond 180 days," explains Mr. Hasan T. Çolakoglu, one of Turkey's shrewdest young bankers and adviser to the board. "This is a time span in which we can predict things. Beyond 180 days it is much harder as here we have a very rapidly changing situation, particularly with legislation," he says, adding that the changes are usually "for the better."

Preliminary results for the bank show that assets last year increased from TL 313 billion (\$446.5 million) in 1985 to TL 530 billion (\$706.6 million). While inflation has been a major factor in the results, foreign

exchange deposits, slightly more than \$100 million, have also helped to give a real increase. Says Mr. Öngör: "We have in fact increased our deposit side a little faster than the average among the other major banks." He adds that, as one of the few banks in Turkey to be audited by an internationally known firm of accountants (in this case Peat, Marwick, Mitchell and Co.), Garanti has improved its credibility, particularly on the international scene.

As the Central Bank begins to lay down the ground rules, auditing of bank accounts is now a controversial topic among banks, as it is with some of the bigger commercial and industrial groups. "Turkey is not very sophisticated in this respect (auditing) and we must show our European colleagues that we are willing to learn," comments one banker.

"We tend to follow: we will never be first into anything new, we're too cautious," he emphasizes again.

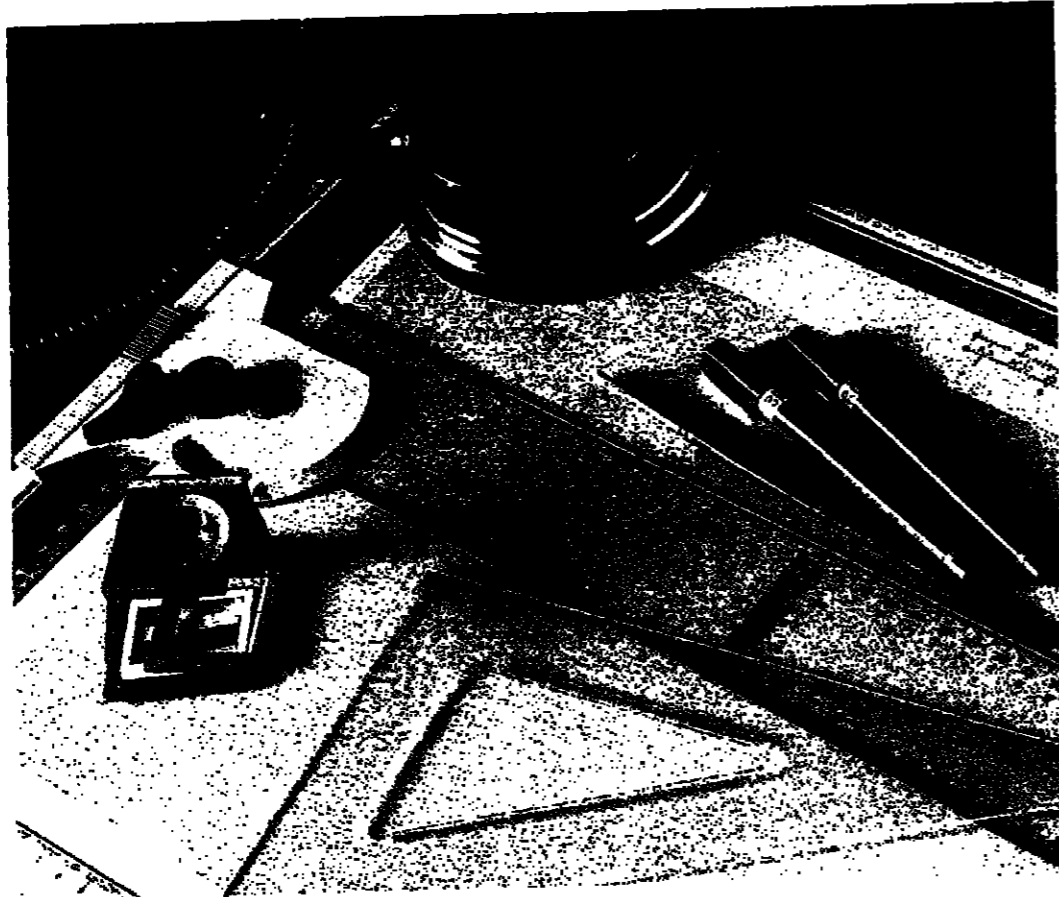
Mr. Harun Pastanoglu, assistant general manager of Halk Bankası (People's Bank) also stresses caution "but we are not conservative." Commenting on last year's results, which are about to be released, he said the bank "had a very strong performance and we are probably now in first place in Turkey."

Halk was created in 1938 to finance cooperative institutions and small businesses. It has 645 branches, 14,000 employees and about 350,000 customer accounts. Last year it made credits worth nearly TL 580 billion (\$827.4 million). This year the figure will rise to TL 925 billion (\$1,319.5 million). Mr. Pastanoglu explains how the bank works: "Basically we borrow from the Central Bank at 27 percent interest and relend to small- and medium-sized business at 30-35 percent."

A medium-sized enterprise is one with from 5 to 25 workers. This year cooperative institutions will receive TL 150 billion (\$199.7 million) credits, industrial companies TL 200 billion (\$267 million), development

(Continued on page 10)

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\*by Peat, Marwick, Mitchell and Co.

ADVERTISING SECTION

## Textiles: Turkey's Star Exporter

**T**URKISH textiles are big business and becoming progressively bigger. But success breeds its own problems. As Turkey's textile producers have learned to export, they have run up against the kind of protectionism abroad that Western statesmen have been telling them to discard at home.

Cotton is king in the Turkish textile world. For many years Turkey has grown cotton, chiefly in the Aegean region and the Cukurova plain around Adana. Plentiful raw supplies at home (Turkey's annual cotton crop is around 500,000 million tons a year) led to the beginnings of a textile

industry more than a hundred years ago.

In the 1930s Ataturk created Sumerbank, which among other activities is still the country's largest textile producer. Development of the private sector followed in the 1940s and 1950s. The real take-off came in the late 1960s and 1970s when the private sector began investing on a large scale, growing as much as 18 percent some years.

The result today is that Turkey has become one of the EEC's major textile suppliers and is vigorously penetrating new markets all over the world. Textile exports are put at between \$1.6 billion and \$2.2 billion.

In recent years, the Turks have been discreetly playing down both their production and their export figures, fearful of stirring up protectionist responses in countries where declining textile industries do not want competition.

In 1983, Turkey's total textile exports to the United States were only \$121 million, less than 1 percent of total U.S. textile imports of \$15.9 billion. But U.S. textile producers still managed to force the imposition of quota restrictions on 65 percent of Turkish textiles sold in the United States. Similar problems have followed with Canada.

Protectionism, however,

has been a less serious problem than bad management at home. Two of Turkey's three largest textile companies went bust in the early 1980s and had to be bailed out by the government. They were typical of a large number of firms that invested too much too fast without attention to the market.

The pacemakers have been companies such as Altinyildiz (high-quality ready-to-wear), Mensucar Santral (bed linen and linings), Akin, Soktas, and many others that have put a premium on good management.

The biggest management turnaround is being attempted at the state-owned Sumer-

bank by General Manager Erkan Tapan, brought in from the private sector by the Ozal government.

Sumerbank's annual turnover is around U.S. \$400 million but, until 1984 when Mr. Tapan arrived, the corporation was living on Treasury subsidies of about TL 5 billion (\$7.1 million) a year.

Putting an end to the subsidies, Mr. Tapan decided to look to the market instead. He brought in market researchers and began an advertising campaign with the slogan "I really love Sumerbank" aimed at younger customers. He published the first catalog in the corporation's 53-year history. From a TL 700 million

(\$812.4 million) loss in 1983, Sumerbank last year made a TL 22 billion (\$31.3 million) profit. "We are starting to reap the harvest of reorganization," says Mr. Tapan, pointing out that productivity is expected to rise by 72 percent in the group's spinning activities.

Meanwhile, in a side-operation, Sumerbank has put one of Turkey's bankrupt textile giants, Pektas, back in the black. Sumerbank took over the ailing corporation at the government's request but on a joint venture basis. Last year, it made a profit of TL 4 billion (\$6 million) and will eventually be reprivatized.

Not all the sector's problems can be corrected so easily. Many Turkish textile producers are small and can probably never adapt to international market conditions. There is too much investment in cotton spinning, too little in cotton weaving and cutting and sewing — though these are developing fast.

The government would like to see more emphasis on quality, and is trying to set



Creations by Vakko, one of Turkey's leading fashion houses.

up regional textile resource centers, if possible with foreign institutions taking part across the country.

Equally potent medicine, though one which local producers hate, would be to relax import controls. In many areas, notably dyes and artificial yarns, local Turkish producers cannot supply to the highest quality required by exporters.

Aware of their limitations, most of the leading producers in Turkey are ac-

tively exploring the possibilities of joint ventures and partnerships with foreign companies. On the domestic market, Turkey could do with more high-quality retail chains.

In 1983, Altinyildiz broke new ground by forming a partnership with Benetton. As yet, no other foreign chain has followed the Italian company into a confusing but rapidly growing market.

— Thomas Faulkner

## Filling the Energy Gap with Hydroelectric Power

**T**URKEY is generously endowed with everything — except energy, of which it is likely to remain a substantial importer well into the next century. Over the last decade it has imported an average of about 70 percent of its annual consumption.

On February 10, Turkey took a step toward providing for its own energy needs when the first unit of the 1,800-Mw Karakaya Dam on the Euphrates began to operate. The dam is one of several nationwide investments that have already increased the output of electricity from 28 million Kwh five years ago to around 38 million Kwh in 1987.

The increase had to come and will have to continue. Demand for electricity has grown by as much as 15 percent in a single year over the last decade. But how is it to continue? As far as is known, Turkey has only very limited deposits of oil. It already relies on coal imports. Lignite is the only fuel it possesses in abundance, apart from uranium.

Hydropower was the first option. Turkish governments selected it in the 1970s. By 1990, the 2,400-MW Ataturk High Dam will have completed a chain of dams on the Euphrates, begun in the 1970s with the Keban Dam. Turkey's total hydroelectric potential is put at 112 billion Kwh, of which only 12 percent has so far been tapped.

Use of solid fuels is a second option. In the 1970s, Turkey decided to tap its abundant lignite reserves and built a major lignite-burning plant at Afsin Elbistan with 4 X 350 MW units. It has not been successful. Its first unit became functional nearly six years late, in 1983. The fourth is still not ready. Use of lignite will be stepped up in the years ahead, but its high sulphur content is a drawback.

Instead, the government has opted for giant thermal plants burning imported coal. It is currently negotiating with seven international consortiums to build power plants at coastal sites, each

to produce between 1,200 and 1,400 Mw of electricity.

To finance these, the government has opted for a franchise system rather than traditional project finance: the foreign consortiums will be majority partners in a joint venture with the Turkish Electrical Authority. The JVC will build and operate the plant for a period of between 15 and 26 years, recoup its costs, and then bow out by handing the plant over to the Turkish government.

So far, Extimbank of the U.S., and the Swiss government have given their partial endorsement to the "Build-Own-Transfer" model, as it is known. However, there is probably only enough credit in world markets for one of the projects this year. Three rival consortiums, headed by Bechtel of the U.S., Brown Boveri Co. of Switzerland, and Seapac of Australia, are vying to be the first to sign an agreement.

Bechtel's project is the front-runner, but the Australian-led consortium could

prove the most important. It would provide Turkey with a large new port near Iskenderun, a stockpile of Queensland coalmines as part of the deal, and new shipping links with the Far East.

The government has also encouraged the use of the franchise model for new hydroelectric projects. It says it has had 70 applications, eight of them from corporations wanting to produce their own electricity. It has already signed a protocol with the Turkish firm Aksu for the building of a plant in Isparta with probable Chinese participation.

Many of these are challenging projects. Yamula near Kayseri, a consortium led by Sweden's Asea and Britain's John Keir, proposes to build a 200-Mw underground power station on the Kizilirmak River, a project of extreme sophistication and difficulty. But this and other projects like it are beset by delays in getting firm commitments from the Turkish government.

At Yamula, this is because a rival local consortium, led by the town's mayor and backed by politicians in Ankara, has emerged to challenge Asea. This development bodes badly for the Ozal model. International companies with worldwide reputations cannot be expected to waste time competing against local factions on highly sophisticated projects.

The worst delays have affected the Atomic Energy Corporation of Canada's proposed 630-Mw power plant at Akkuyu on the Mediterranean. AECL got a letter of intent to go ahead with the power plant in autumn 1983. But the deal was never clinched. Turkish fears about going nuclear and the Canadian government's anxiety about backing an investment of more than \$800 million apparently proved insurmountable.

Although Turkey is rich in uranium, the government line is that nuclear energy will not come here for at least another 15 years.

— Thomas Faulkner

### Banking

(Continued from page 9)

fund credits TL 225 billion (\$298 million), commercial credits TL 200 billion (\$267 million) and export credits TL 30 billion (\$40 million), double the 1986 allocation.

"We are now giving preferential treatment to export credits because the government is emphasizing this area and wants to stimulate more exports," comments Mr. Pastanoglu.

While some Turkish banks are looking for niches, others have been busily restructuring. Yapi Kredi Bank, which three years ago was under considerable stress through non-perform-

ing loans, has been modeled back into shape by its general manager Mr. Husnu Ozyegin.

The common factor in many of the ailing banks has been weak management, and Mr. Ozyegin's first task was to strengthen executive management and then to introduce a number of innovations such as the first Euro certificate of deposit facility last year. He has also forged international links with a new range of banks unused to doing business with Turkey. These included Danish, Finnish and Australian banks.

He has also brought in the microchip and is automating 150 of the bank's 380 branches. Computerization

of the bank's services is regarded as vital to its effective consolidation and restructuring; it is also being applied on the international side.

With many foreign banks now in Turkey, a country they regard as one of the most fertile banking grounds for the future, some Turkish banks are relying on their spruced-up management to meet international competition. With the country on the verge of what might become the most significant export drive ever from the southeast Mediterranean, Turkish domestic banks are going to do their best to make sure they don't miss out on trade finance to the incoming foreign bankers.

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ADVERTISING SECTION



Mr. Vehbi Koc, now honorary chairman of KOC Holdings, became the first Turk to be nominated World Businessman of the Year by the International Chamber of Commerce at their 29th congress last February in New Delhi.

# From Grocer to Premier Industrial Magnate

**B**USINESSMEN talk about the three key industrial sectors which make up the Turkish economy — the state, the private sector and KOC, the oldest and largest privately owned conglomerate in the country. Ask anyone to name an internationally known Turkish company and more than likely it will be KOC, if the question does not draw a blank response. Most people outside Turkey have yet to realize the dramatic changes that have been taking place in Turkish commerce and industry, especially during the last five years.

But KOC, founded in 1926 by Vehbi Koc, the son of a small-time Ankara gro-

cer, is an exception. Its development began just before the founding of the Republic in 1923. To some extent the story of KOC is the story of the growth of modern Turkey.

With more than 116 companies in the group, KOC has interests in almost every sphere of activity in Turkey, from automobile manufacturing to the travel industry and, most recently, banking. It has operations in the United States, West Germany, Italy and Switzerland. It has joint ventures throughout the world with blue chip companies, including General Electric, Ford, Fiat, Siemens, Goodyear and American Express. It also has close links with Toshiba, Hitachi,

Ricoh, Burroughs and Iveco. Last year's turnover rose dramatically by more than 52 percent to U.S. \$3.4 billion and the company has now been placed in the top 200 of the "Fortune 500" list of top companies in the world outside of the U.S.

Mr. Vehbi Koc, at 86, is now honorary chairman of KOC Holdings, and still puts in a hard day's work at the office, often as long as 12 hours. When speaking of his early days at the Ankara grocery store and the birth of his empire from such modest beginnings, he likes to cite the example of other successful pioneering entrepreneurs who have created multinational enterprises such as Ford, who started as

a car repairman, and Siemens, who started as an electrician. Today his son, Rahmi, heads the Koc empire as its new chairman.

According to Mr. Tugrul Kudatgobilik, the group's communications director, Mr. Vehbi Koc is known to be cautious, a much-used adjective in Turkey's business community today. But for Koc, it has been a byword from the very beginning — 1928 — when he took on the first Ford dealership.

Soon after the Ford dealership, he took on the representation of Standard Oil (later to become Mobil Oil). From his early days, Mr. Koc has always had an eye on the international scene — something no one

has forgotten — and is now one of the strengths of an empire that has become a sine of Turkey's domestic economy.

In 1963, a major step toward the institutionalization of the company was the creation of KOC Holdings. This was Turkey's first holding company, and the first to go public. With his son now

chairman and three daughters on the board, continuity seems assured.

Mr. Koc has also played an important role in what he describes as his "civic responsibilities." He has helped to establish schools, hospitals, student dormitories and libraries, and sponsors scholarships through the Vehbi Koc Foundation.

Institutionalism, professional management and the recognition of social and cultural responsibilities by successful businessmen are the three basic principles that govern Mr. Koc's life.

He told the members of the ICC at their New Delhi Congress: "The harmony of these principles has brought me to where I am today."

# Turkish Capital Markets

**T**HE first half of 1987 has seen major advances in Turkey's capital markets, as the government and Central Bank try to provide the institutional underpinning for a financial system which, over the next decade, will sustain a strong growth performance by Turkish industry.

The first issue of commercial paper in Turkey, TL 500 million (\$64 million), for Henkel Chemical, handled by the Yapi ve Kredi Bankasi on February 10, is one of a series of landmarks.

A month earlier the Central Bank had introduced Open Market operations. In December 1985, the Istanbul Stock Exchange had reopened along new lines. On April 2, 1986, the Central Bank launched its own TL interbank system, for which it acts as a broker.

Since then it has used increasingly sophisticated techniques to market Treasury Bonds, designed among other things to encourage the growth of a secondary market. One of the first big steps forward was the introduction of an auctioning system for Treasury Bonds in May 1985, intended to help establish a market level for interest rates which had previously been determined by governmental fiat.

These innovations in the money markets are taking place within a timetable programmed by the government and the Central Bank, whose vice-governor, Dr. Rusdu Saracoglu, has played a key role in setting up the new institutions.

The emphasis on money markets is a result of the belated introduction of realistic interest rate policies in 1980. Until then, Turkish industrialists never had to worry about funds. Banks lent freely to industry at rates which were well below inflation. Much lending was done inside groups. Even today, all but a few of Turkey's major private banks are owned by industrial groups.

Over the last three years, however, ceilings have been imposed on inter-group lending.

But Turkey still does not have secondary markets, and most investors find it more profitable to buy gold, foreign exchange, real estate, or even cars than to put their money into stocks and shares.

Mr. Muharrem Karsli, chairman of the Istanbul Stock Exchange, claims that the yield on stock in Turkey is higher than for any other kind of security — including Treasury Bonds which are tax free and with which Turkish institutional investors such as banks have tended to play safe.

Why should Turkish investors dislike stocks? There are several reasons. One is simple unfamiliarity, but another is a deep-rooted feeling that in a strongly family-dominated business environment, minority shareholdings do not count for much.

When the government's new interest policies emerged in the early 1980s, industry responded by turning to bond issues. Small investors throughout the country poured their savings into unlicensed bond houses. Cut-throat competition for deposits eventually led to rates of over 10 percent a month — and the inevitable crash. Confidence has taken several years to return.

The following steps have been taken to rebuild it:

- 1). The introduction of a new legal framework. For example, the Istanbul Stock Exchange has given great importance to guaranteeing investors against fraud.

- 2). The emergence of younger, usually U.S.- or European-trained financial executives familiar with the workings of modern financial markets.

- 3). A partial fall in inflation and an accompanying lowering of interest rates on bank deposits and Treasury Bonds. This seems to have been achieved rather deliberately by the Central Bank when it pulled down interest rates on bank deposits by 9 percent in the second half of last year, apparently moving faster than the IMF recommended.

New market conditions encouraged some of the smaller Turkish banks to turn back to the bond market as long as two years ago. The way has been largely led by Erol Aksoy's Iktisat Bankasi. However, Iktisat is now facing a challenge from some of the larger banks, which until now have preferred to earn money more expensively through bank loans.

Now, however, Yapi ve Kredi is bracing itself for a major entry into the financial market in which it hopes to establish a position of leadership.

Signs that times are opportune for the expansion of the money markets were plentiful in the first quarter of this year, with the volume of transactions on the Istanbul Stock Exchange running at six or seven times what they were last year and with bond issues remaining high.

As yet there is no system of credit rating on the Turkish market. The financial standing of firms is monitored by the Capital Markets Board in Ankara, which authorizes the issuing of bonds and commercial papers.

Though independent auditing is chiefly confined to a few top exporting groups, the market does know a great deal about the state of health of major companies — or thinks it does.

However, the task of transfusing savings into industry is potentially a risky one, with many firms known to have heavy burdens of bank debt. In the short term, banks will probably be expected in practice to guarantee issues they sell to the public. The growth of a risk-taking sizable secondary market is probably still several years away.

— Thomas Faulkner

# Free Trade Zones to Facilitate East-West Commerce

**"W**E are a one-stop free trade zone agency and the gateway to and from Europe," is how Mr. Timucin Sanalan, director, sees the new Free Trade Zones which are being created by the Turkish government to boost exports and imports.

The creation of free trade zones is part of the overall government policy to liberalize the economy, encourage more inward investment and develop the export market. Turkey's geographical position puts it in a prime spot for commercial and manufacturing "off-shore" operations. It is the natural distribution center for eastern Mediterranean countries, southern Europe, the Bal-

kans, the Levant, North Africa, the Middle East and even Pakistan and India. With the second Bosphorus Bridge nearing completion and the recently signed agreement to go ahead with a third bridge, Turkey can hardly be better placed as the natural "bridge" between east and west.

The government has agreed to go ahead with the creation of four separate free trade zones. Two, at Mersin and Antalya, will be functioning at the end of 1987 or early 1988.

"The infrastructure in these two zones already exists; more than 200 companies have signed up to go to Mersin and about 100 to Antalya," says Mr. Sanalan. Foreign companies which

have been granted licenses include Conagra and Dresser Industries from the United States, Rothman's from Britain and Mannesman from West Germany. "Although we have done practically no promotion abroad we have so far received more than 65 firm inquiries for leases from companies in the United States and Japan, and more than 20 of them have been accepted," adds Mr. Sanalan.

Two Turkish banks and two foreign banks have also been given licenses to operate from the zones. According to Mr. Sanalan, the banks will not only be involved in trade finance, they could also be the beginning of Turkey's offshore banking sector.

The free zone projects have been given a big boost by the arrival on the scene of the giant U.S. Bechtel Corporation. Bechtel has now signed an agreement to plan and operate a free zone at Yumurtalik. This has been done under Prime Minister Turgut Ozal's innovative build-operate-transfer (BOT) scheme for funding large-scale projects (the Bosphorus Bridge, for example).

Bechtel's intervention has boosted international confidence in the free zone strategy not least because Bechtel is negotiating a BOT agreement for a \$400 million commitment for the Tekirdag thermal power station project, and its financial subsidiary is supporting part of the \$480 million transcontinental highway project.

Martin Marietta International is one of the foreign

companies planning a high-tech production facility at Antalya. Mr. Sanalan refutes comments made in some business quarters that not much progress is being made and points out that the government has so far invested TL 15 billion (\$21.5 million) in Mersin and Antalya. "In addition, the successful applicants are investing TL 100 billion (\$133 million) and there is another TL 200 billion (\$260 million) going into Mersin."

More than 500 applications for sites in Mersin and Antalya were submitted — three times more than could be accommodated and there is now a waiting list of 100 applicants.

The object of the zones is to create jobs, use local raw materials wherever possible, boost exports — and serve the domestic market. Unlike what happens in most free zones, manufacturers and distributors here are allowed, and even encouraged, to meet the demands of the local domestic market.

The free zones will also provide a way to avoid the bureaucratic red tape and outmoded tariff structures, which have so often slowed down Turkish trade. The need to streamline the decision-making process is essential to Mr. Ozal's free market economy strategy, and, with elections in the not too distant future, a successful free trade zone would be a boost to Mr. Ozal, his party and the country.

The zones are controlled by a Free Zone Operating

Agency in which the local government may be a partner, as in the case of Mersin and Antalya. The role of the government in Yumurtalik (the Bechtel operation) has not yet been determined. The basic advantages applying to all the zones are:

- Tax exemptions: No taxes or customs duties of any kind.
- Transfer of profits: No restrictions on repatriation of profits or dividend payments on income generated within the zone by foreign companies.
- Rents: Very low cost leases, about \$2 a square meter.
- Employment: Strikes or stoppages forbidden for a period of up to ten years.
- Finance: Trade finance from banks operating within the zone at preferential rates.
- Administration: Apart from the initial application for an operating license to the State Planning Office, all other administrative details are dealt with directly by the relevant free zone directorate.

Commenting on the overall advantages of the four Turkish free trade zones, Mr. Yalcin Alaybeyoglu, chairman of the Free Zones Directorate, says: "For potential investors the Turkish free zones are the most attractive in the Mediterranean. However, the prime factor that determines the success of free zones is the availability of investors capable of generating a sufficient volume of business in these zones. Mersin and Antalya have passed this test with flying colors."

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# Agriculture: Key Element in Modernization

PRIME Minister Özal's government is belatedly coming to terms with Turkish agriculture. Since coming to power in 1983, it has been so concerned with liberalizing other sectors of the economy that agriculture, the basis of Turkey's wealth, has sometimes appeared to be ignored.

In a way, the sheer size and viability of Turkish agriculture has meant it could look after itself. Even today, roughly half its population are farmers and Turkey is one of the world's largest wheat producers. Unlike its Middle Eastern neighbors, it is self-sufficient in most crops, of which it has an abundant variety. It enjoys a number of different "agro-ecological" zones, ranging from the plateaus of the interior (ideal for cereal production) to the sunny Mediterranean coast where bananas and citrus fruits are grown.

Yet agriculture's share of the GNP has fallen steadily from 18.9 percent in 1984 to 17.5 percent in 1985 and 16.6 percent in 1986. By the end of the current five-year plan

in 1989, it will contribute only 13.7 percent of the GNP. Agricultural exports, which in 1984 were U.S. \$1,748 million, dipped slightly to \$1,719 million in 1985 and \$1,331 million for the first ten months of 1986 (\$1,597 million on an annualized basis).

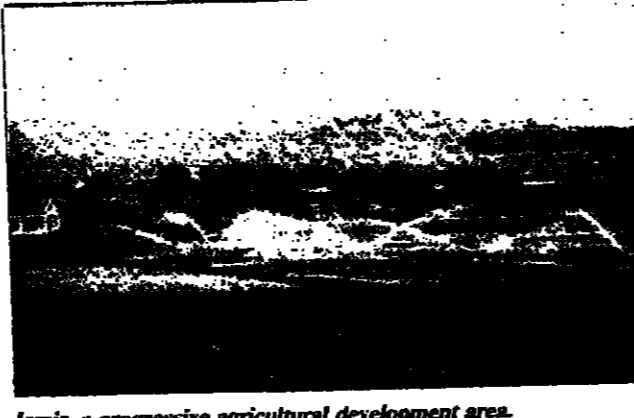
To a large extent this reflects the progress made by other sectors of the economy. Agriculture's share of the GNP has fallen because that of others has grown. Industry has developed spectacularly, and with it, agro-industry. Exports of processed agricultural products have risen from \$209 million in 1980 to over \$1 billion today.

More significantly, as a result of the government's general liberalizing tendency, agricultural imports have increased. Over the single year 1983 to 1984 they tripled from \$138 million to \$417 million. In 1985, according to unofficial figures, they grew to around \$1 billion. These imports, largely wheat, soybean and wool, have been absorbed by the country's burgeoning agro-industries. But it is doubtful

that they have yet done much to stimulate domestic agriculture. Indeed, in a turnaround of its accepted policy on economic liberalization, the government has imposed curbs on agricultural exports to keep back domestic output for local industrial production. In January, it levied surtaxes of between 20 and 35 cents a kilo on exports of prime Aegean, Antalya and Cukurova cotton for this very reason.

Now, perhaps stimulated by the prospect of general elections next year and the need to hold the vote of that half of the population that lives and works in the countryside, Ankara is belatedly turning its full attention to agriculture.

Guided by the World Bank in many respects, the government is, to its credit, adopting a comprehensive grass roots approach to its task. The key to improving agricultural output is seen as stimulating the peasant farmer to produce more. It is not just a matter of providing the right price stimuli. Rather it involves restructuring the whole rural sector for efficient production.



Lamir, a progressive agricultural development area.

A "Less Developed Regions" Department has been set up in the State Planning Organization. The old Ministries of Agriculture, and of Village Affairs, have been merged to form a new super-ministry for Agriculture, Forestry and Rural Affairs.

One of its first projects has been in the field of agricultural extension and applied research. The government has committed \$130.5 million, the World Bank \$72.2 million and the Rome-based International Fund for Agricultural Development \$10 million to a scheme that will radically reorganize agricultural extension and re-

search services in 16 out of Turkey's 67 provinces. An Extension Information Center is being started in Ankara. Six agricultural research institutes are feeding into this new setup, which has already produced two new wheat varieties. Interesting work on the development of high altitude cereals is being done on the windswept Turkish plains.

Under the Erzurum rural development project, a number of improvements are being brought to 1,070 villages in the mountains of eastern Anatolia. Here, \$137 million are being spent on infrastructural development and

provision of credit to 15,000 small farmers.

An important component in the project is the improvement of animal health and breeding services. Throughout Turkey, emphasis is currently being placed on dairy production and the fattening and breeding of sheep and cattle.

The Erzurum rural development scheme also highlights two other factors, often neglected by Turkish agriculture in the past — credit and water. The main vehicle for agricultural credit, the Ziraat Bankasi or Agricultural Bank, has until recently been held back by restrictions on its lending. Since 1983, it has been to the market three times — and will return again this year — to raise additional funds, largely to finance export goods produced by cooperatives. In December, Arab Banking Corporation, Gulf International Bank and Bankers Trust International leadmanaged a loan for the bank, which was increased from \$150 million to \$200 million, still oversubscribed.

As for water, it is not that Turkey lacks resources; sim-

ply that it has not used them efficiently. Now the government is investing not only in small-scale irrigation projects in the countryside, but also in the vast Euphrates Valley development scheme, and its related \$4.2 billion Araruk Dam, which should make 700,000 additional hectares in southeast Anatolia cultivable for wheat, cotton, sugar beet and other irrigated crops by the early 1990s.

Underlying many of the new ideas floating round the Ministry of Agriculture, headed by much respected Husnu Dogan, and the State Planning Department, is an understanding that reforms of the kind started in the last

two years are needed if Turkey is to be successful in its application to join the EEC. An inefficient peasant-based agricultural system may be too difficult for the Common Agricultural Policy to absorb. However, the solution is not simply thoughtless mechanization as practiced in the 1960s. This could lead to an unacceptable influx of denigrated small farmers into the cities and to social unrest.

Ultimately, in coming to grips with agriculture, Özal, with Dogan's help, is tackling the most sensitive and important part of his mission to modernize Turkey's economy.

— Andrew Lycett

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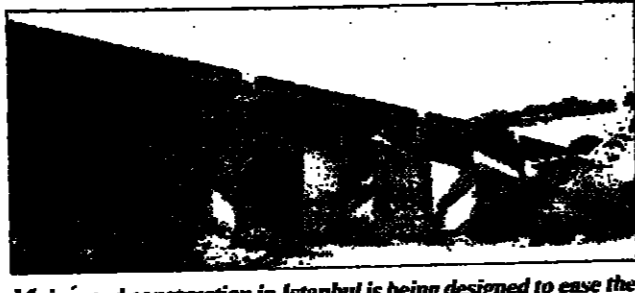


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# Construction Boom Seen as Boost to Economy

TURKEY is becoming the construction mecca of the Middle East and Europe as the country undergoes what may be the biggest visible change since classical times. The second Bosphorus bridge, costing \$551 million, is to be completed in 1988 and a letter of intent to build a third bridge has been signed by the British-based contractor Trafalgar House; new ports, factories and warehouse facilities are going up at some of the new free trade zones; a huge pipeline will soon carry Soviet gas to several electrical generating stations; the final stages of the Europe-Asia highway are under construction; and new dams and hydro-electric schemes will eventually help to triple the country's agricultural production.



Major road construction in Istanbul is being designed to ease the traffic congestion.

The main center of current activity is Istanbul, which is bursting with a population of more than 6.5 million. Following a paralyzing spring snowfall, the worst in a century, Mayor Bedrettin Dalan is more determined than ever to continue modernizing the city, which spans both the Golden Horn and the Bosphorus.

The streets are being ripped apart for stormwater drains and tunnels, telephone and telex lines are being laid underground. The Swedish group ASEA and the Construction Center are joint partners in a project for a new light metro, and another Galata bridge is being built across the Golden Horn. It will join three other bridges and greatly ease peak hour congestion. Dozens of new car parks are to be built to ease the traffic congestion which plagues the city.

But most important of all, according to the mayor, is the big clean-up of the stagnation waters surrounding the nearly cideless arm of the Bosphorus around the Golden Horn itself. Pollu-

ing industries, mostly small factories, are being closed down and moved, and "clean" coal is being imported to alleviate air pollution, one of the worst in Europe.

"We need a lot of infrastructure here and when we get it, Turkey's credibility will also be increased," says Mr. Sanik Tara, chairman of Enka Holding Investment Company. Enka has just signed a letter of intent with Trafalgar House to build the third Bosphorus Bridge, now regarded as an essential development to meet the increased transportation needs of the country. The bridge is expected to pay for itself in tolls in only six or seven years.

Enka, which has existed for 30 years, has about

\$4.2 billion worth of construction projects in hand. Because of the Soviet gas deal, Enka is now looking closely at market opportunities in the construction of hospitals and hotels.

Another company that is looking to the Soviet Union is Gama, which has joined with five other companies — Entes, Guris, Kiska, Kutlutas and Pet Petrol — to form the MIR consortium early this year. A second consortium consists of Dogus Insaat, Alarko and Yukser Insaat. Also interested in bilateral trade opportunities are: Garanti Insaat, Sezai Turkes-Fevzi Akkaya, Teser and Soyak.

Mr. Ergil Ersu, Gama's managing director, says that the MIR consortium has

modeled itself on the Finnish group Finn-Stroi, which has carried out more than \$1 billion worth of projects just over its border with the Soviet Union under a similar long-term deal.

Like the Finns, Mr. Ersu is proud of the fact that Gama always completes its projects on time, always an essential prerequisite for a contract with the Soviet Union. "Also we have never had a labor dispute in 30 years, which is a pretty good record."

"This is potentially a big new market for us," says Mr. Ersu. "We hope that MIR will soon go ahead with four hotels and one hotel restoration project."

Last year Gama had about \$300 million of contracts in hand, and profitability rose by 70 percent to TL 4.3 billion (\$5.7 million).

It is involved in many other hotel projects, regarded as investment incentives under existing legislation which permits hotel construction expenses to be tax deductible.

Gama, a private company

formed in 1957, used to be active in the Middle East and Libya during the oil boom days, but is now looking more to the domestic market where it does a lot of specialized construction work, especially in the energy field. Mr. Ersu is critical of the bidding and financing system in the construction industry.

"Too much time is spent by the contractor seeking finance for the client and not enough time is left for the actual construction."

He places considerable importance on the recent U.S. Eximbank funding operation agreement since he

feels it might act as a financing catalyst for other institutions in Japan and Britain.

Although there has been a downturn in Middle East business (the Turks had \$20 billion worth of contracts over the last five years), Mr. Nurecin Kocak, chairman of the Turkish Contractors Association, believes that strategic funding will help them get more work in the future. With the help of financing from the Islamic Development Bank, he estimates that Turkish contractors should be able to get about \$10 billion worth of new work in the next two years.

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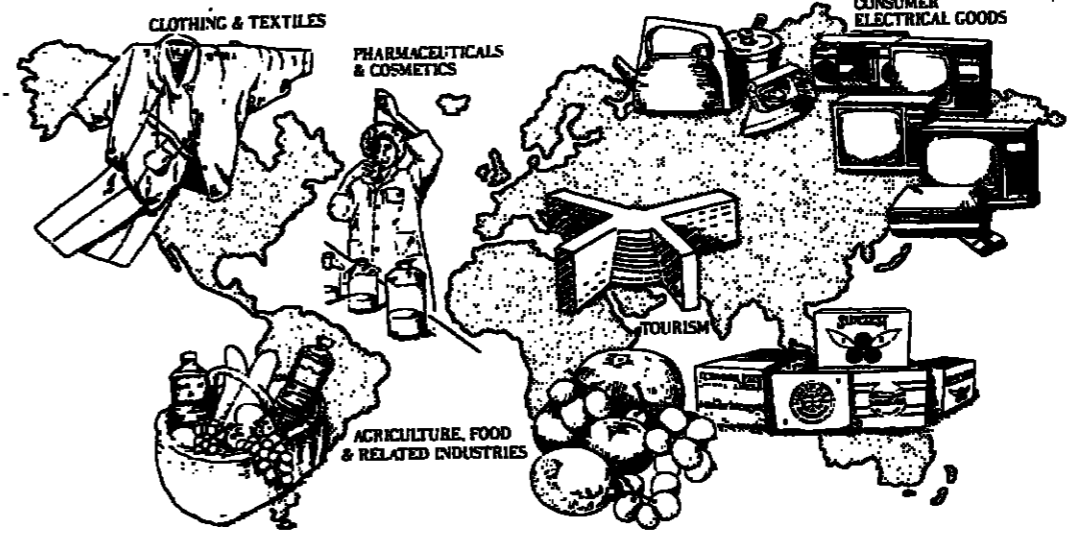
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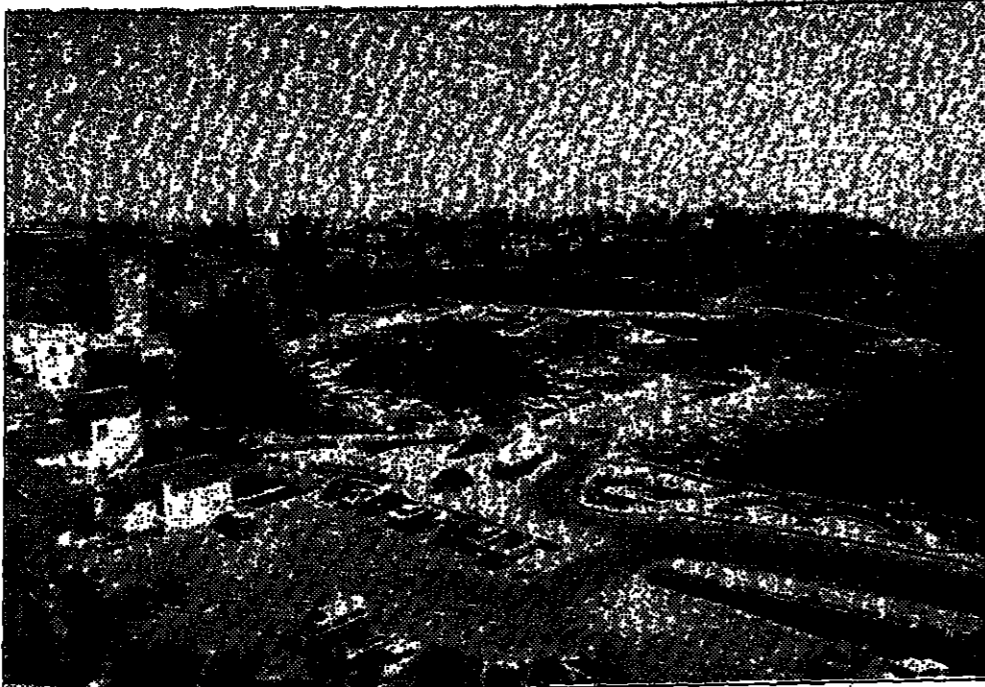
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# Investing in Tourism or How to Enlarge the Welcome Mat

**T**URKISH history encompasses 20 civilizations, yet the country is now on the threshold of the biggest invasion ever. Yes, the tourists are coming. At present, it is the most unspoiled tourist destination in the Mediterranean with only 2.3 million visitors last year. Now, the government has embarked on a major program to upgrade tourist infrastructure, attract more visitors and make substantial contribution to the balance of payments position. Foreign investors are being wooed with the promise of a wide range of incentives to build hotels, marinas and leisure facilities suitable for the international market.

"We are after the mass middle-class tourist market, the charter groups and so on," declares Mr. Gülekin Öskan, deputy under secretary of the Ministry of Culture and Tourism. "With our 8,000 kilometers of coastline and four varied seasons, we can offer every kind of tourist attraction, and



Antalya's restored old harbor, one of several major marina developments.

there is a tremendous potential here."

With his colleague, Mr. Zühtü Önder, deputy director general of tourism, he outlines some of the key facts about the industry. "The government is now planning a major increase in hotel bed capacity. We now

have just over 102,000 beds, and, by the end of this coming June, this will have risen by another 10,000. At the end of the year, we hope to have a total of 118,000 beds," says Mr. Öskan. The ultimate target is 200,000 beds by 1990. A more ambitious target in the next de-

cade is more than 590,000 beds.

This year the government is investing TL 7 billion (\$9.3 million) in tourism. It has already spent TL 21 billion (\$29.2 million), mainly on roads and services, in southern Anatolia. The government has devised a tour-

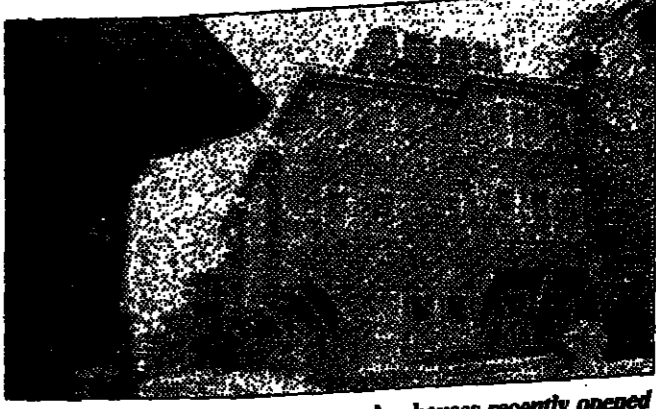
ist master plan for the southern coast with three regional plans based on areas around Antalya, Koycegiz and Side. These three tourist development zones offer special incentives for foreign investors and their local partners who can acquire land on 49-year leases with extremely favorable financing (15 years credit for up to 75 percent of the total investment). Other incentives in the package include tax-free holidays and other fiscal benefits.

Considerable emphasis is being put on upgrading existing harbor facilities for yachtsmen and constructing new marinas. Two are being built at Kemer (Antalya). Other marina developments include Cesme, Kusadasi, Bodrum and Marmaris. Development of facilities at Darc, Fethiye, Kas and Side are being studied. In the coming season there should be more than 2,000 berths available for visiting yachtsmen.

Major tourist investments underway at the moment

with foreign partners include: Club Méditerranée, with sites at Kusadasi, Foca, Goreme and Kemer, British Petroleum, with a chain of 10 motels, the Swiss group Conodex, with a hotel project at Bursa, United Breweries of Denmark, with hotels at Cesme and Yasar, and the Belgian Unit International, with a holiday village at Kiziltepe.

Many of the leading international names in the hotel and tourist business are involved in new projects in Turkey — ETAP, Mesiden, Ramada, Hilton and Sheraton. British Commonwealth Shipping Co., Sanbak Development Co. and Kumagai Construction have a joint project to convert the Ciragan Palace into a deluxe hotel in Istanbul. Another conversion project involves the old university building near the Shezarion in Istanbul which is to be managed by the Hong Kong hotel group, Regent. This is a joint venture with Iktisat Bank and Eska Construction company.



Ayasofya Pansiyonlari, restored wooden houses recently opened to tourists at Topkapi Palace, Istanbul. A double room costs U.S. \$90.

ETAP, now Pullman International, has 185 hotels around the world and is one of the most active in Turkey, with five business-class hotels in Istanbul, Ankara and Izmir. Mr. Fikret Evliyagil, chairman of PLM-ETAP in Istanbul, agrees that Turkey is desperately short of good hotel accommodation. "There is a major shortage in the cities, and in the southern half of the country in the summer. We especially need more three-star hotels," he says.

Mr. Özkan, of the Tourist Ministry, emphasizes the importance of tourist earnings, which last year amounted to \$1.4 billion, a slight fall over the previous year due largely to a drop in the number of tourists following the American raid on Libya and the Soviet nuclear plant disaster at Chernobyl. Of the 2 million tourists last year, the largest number, 19 percent, came from West Germany, followed by Britain with 17 percent. — Lee Voysey

## Auto Industry Focuses on Domestic Market

**A**LONG with much of the world's auto industry, Turkey has suffered from fluctuations in the price of oil and a rise in the value of the deutschmark and the yen. Local exports have suffered from the Iran-Iraq war. Only about one tenth of the 140,000 vehicles produced now go for export. With a population of 50 million, Turkey represents a big potential market for the world's auto industry for passenger cars, trucks and agricultural machinery. Only two people out of every 100 own cars.

Turkish automakers, as well as much of the general engineering and manufacturing sector, have suffered in the past from lack of capitalization and efficient machinery and technology. In the past, it has favored Italian know-how and the Tofas replicas of the Fiat 131 and the older 124. Best sellers are the Murat Dogan and Murat Serce with 53 percent of the market. Last year, production topped 42,000, with TOE-made Renaults in second place with nearly 33,000. Other manufacturers who assemble autos include Ford, Peugeot and General Motors. Total car production last year was 82,000

compared to 61,000 in 1985, and 4,000 in 1970.

At present the passenger auto industry has a ready domestic market with customers having to wait up to six months for a car. Commenting on the current situation, one banker said it was partly due to a consumer spending phase as interest rates were low and there was no direct encouragement for them to save.

In 1984, restrictions on imported ready-built foreign cars were lifted, but this has made little difference to the consumer market as tariffs and surcharges continue to more than double the price compared to locally made vehicles.

Nevertheless, imports are beginning to rise and in 1986 nearly 9,000 cars worth \$36 million came into the country. In the same year, imports of trucks were valued at \$47 million and of tractors \$36 million.

The auto industry is relatively new in Turkey — the first car was only produced 20 years ago when Otosan, the Ford concessionaire and part of the KOC group, began to assemble the first national car, KOC, which was the first company to hold a foreign car sales franchise



The Murat Dogan by Turkish Fiat.

(Ford in 1928), has had a joint venture with Fiat to manufacture agricultural machinery since 1964 when the Turk Tractor factory opened in Ankara.

Three years later Fiat granted a license to Otoyo Sanayii A.S. to assemble trucks and buses. During the 1970s a series of joint ventures for auto part production were started, and, in 1978, Fiat licensed Tumosan to produce large diesel-engined tractors.

During the early days of the auto industry, Turkey took the unusual step of going into the glass fiber business as a result of a pioneering joint venture with a small British specialist auto manufacturer, Reliant. The lightweight four-door car styled by Ogle was designed specifically for the Turkish

market. Reliant planned the factory and production assembly down to the last nut and bolt and it was said at the time that Turkey got a complete packaged "motor industry for the price of a single Boeing 707 aircraft."

The experience Turkish auto makers acquired from the Reliant venture enabled them to develop further skills in glass fiber body production, and Otosan went on to make cabs for commercial vehicles.

Because of underutilization of capacity, the truck and tractor sectors are now in considerable difficulty. In 1985, minibuss production was only 70 percent of capacity while that of tractors fell to 29 percent, and a major rationalization of the agricultural machinery sector

is on the cards. Fiat, Renault and Ford all make tractors no longer produced in their own countries.

Meanwhile, the component side of the auto industry has been growing rapidly with more than 1,000 different companies involved making replacement spares and original equipment. In the late 1970s Tumosan was set up to make diesel engines under license from Daimler-Benz. Fiat, Volvo and Mitsubishi. Since 1982, Ercan has been making truck engines for Man at the rate of about 8,000 a year. Ercan, originally an assembly plant, now produces engines with more than 70 percent local content. Hemas makes transmissions and differentials under license from Eaton. It has made substantial invest-

ments for gearbox production, and had a virtual monopoly of the market until three years ago. Also highly successful in the export field, in 1983-84 it sold more than \$25 million worth of tractor gears to Ford of Europe despite stiff competition.

The Turkish auto industry is not short of initiative; with the right support — and technology — it could meet export opportunities, not only as a component supplier, but as a vehicle producer, particularly for the nearby Arab markets. As a potential member of the EEC it also offers the major industrialized European car makers a massive new market — potentially the biggest in Europe. — Anne Hope

## Esbank Sets Sights on Trade Financing Market

**W**HEN the great blizzard came in March, all government offices and banks shut down for several days. But this did not deter some bank executives, who struggled to their darkened, cold offices, to try to keep the wheels going.

Mr. Adil Üsküdarlı, Esbank's deputy general manager, was one executive who braved both the cold and the vagaries of the telephone system to try and arrange a \$1.2 million letter of credit with a Swiss bank as part of a Turkish trade finance deal. "Fifty percent of our credits now go towards international trade financing," says Mr. Üsküdarlı, who was formerly with the Ottoman Bank and the Turkish Foreign Trade Bank. "Since 1980 and the new emphasis on exports, everyone is now trying to get on the foreign trade business bandwagon."

Last year Esbank's assets almost doubled to TL 85.8




Adil Üsküdarlı, deputy general manager, Esbank, Istanbul.

billion (\$121.5 million) and foreign exchange deposits rose to TL 15.6 billion (\$22.2 million). Founded in 1927, it is one of Turkey's oldest banks, but had no branch in Istanbul until five years ago. It had concentrated on Ismir and Ankara, but because of the demand for

foreign trade financing it expanded into Istanbul, where it now has five branches. "We have changed from being purely a domestic bank," explains Mr. Üsküdarlı. He feels that because 15 percent of all foreign exchange inflows must be "sold" to the Central Bank at predetermined rates, which can be changed with little or no warning, the commercial banks have little room for maneuver, or for making additional profits.

He says the banks should carry the foreign exchange risk, although the Central Bank insists that commercial banks should not keep an open position of more than 10 percent on the foreign exchange markets.

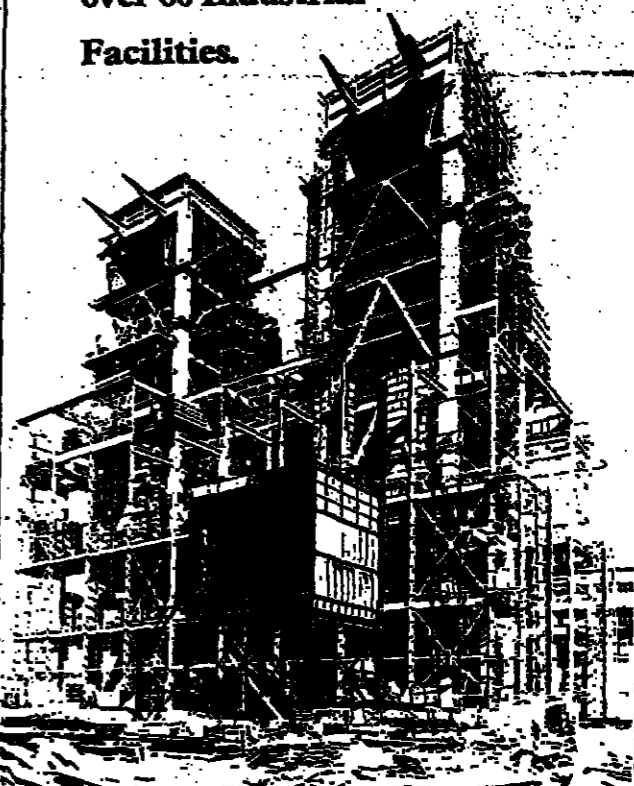
Mr. Üsküdarlı believes in teamwork and effort as the formula for success. "If we can keep up our present consistency, especially as far as management is concerned, I think we will really be going places in the future," he says.



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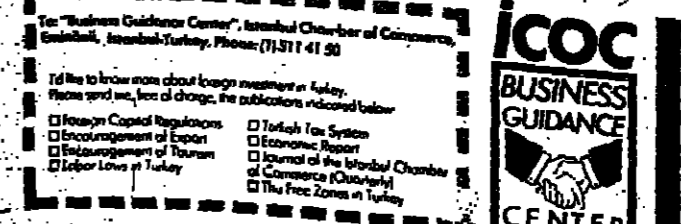
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ADVERTISING SECTION

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# From Historical Sites to Idyllic Coves

**A**LONG one of the walls of Istanbul's Topkapi Palace is a row of clapboard houses with red roof tiles newly restored and painted in light pastel shades of green, gray and ochre. For as little as \$35 per night, a visitor can now share the "Ottoman" experience by staying in this new tourist venture. However, trying to live like a sultan may cost a little more, as luxury hotels are not cheap in Istanbul. But good food is inexpensive, and like so many of the good things in Turkey, the warmth of the people cannot be measured in terms of cost. A visit to Istanbul provides a host of unforgettable experiences: the sun rising above the mist hanging low over the Bosphorus, the domes and minarets in the evening skyline and the summoning of the faithful to prayer.

Topkapi Palace, with its famous jeweled dagger, made even more famous by Hollywood, is only one of Istanbul's many attractions: the Blue Mosque, Aya Sofia, the great covered bazaar, the extraordinarily opulent — almost decadent — Dolmabahce Palace with its spectacular waterfront on the Bosphorus. At Dolmabahce Palace, time has stood still since the clocks were stopped at 9:05 a.m. on the death of Kemal Ataturk, the father of modern Turkey, in 1938.

The city is unique — it is the only one which straddles two continents, Europe and Asia. The European side, built on the Golden Horn, is hemmed in by dramatic crumbling walls and watchtowers which are also being restored. Cross the bridge over the dividing Bosphorus and Asia spreads away to the east.

Turkey's geographical location has made it one of the world's greatest open-air museums. Claiming one of



Spectacular vistas like that in Kemer draw more and more tourists.

the earliest human settlements, dating back to 7500 B.C., it has been at the crossroads of history as successive civilizations have swept back and forth across its varied landscapes.

These range from the central Anatolian plateau and the harsher desert lands to the east and the craggy but softer Mediterranean coast.

In eastern Anatolia money is attempting to change the face of nature by taming the waters of the Euphrates and the Tigris with huge dams that bring the earth back to life. There are the lunar-like landscapes of Cappadocia and the petrified waters of Pamukkale. Towards the Black Sea are lush valleys and clear flowing streams.

But it is the southern coast, with its spectacular cliffs, sheltered coves and a wealth of antiquities, that is now drawing tourists, by land and sea. Centuries ago, the Greeks, Romans, Hittites and others from both east and west were also drawn here. The temples, theatres and fortified cities they built lie strewn amid rock and scrub. At the western end are the classical sites of Troy, Ephesus and Pergamun. At Assos, on the tip of the Çanakkale peninsula between Troy and Edremit, great fallen columns and pillars, like sliced salamis, bear witness to great earthquakes of the past such as the one in 544 A.D. that shook Con-

stantinople (now Istanbul) for 40 days.

Scattered like giant broken dolls are the stone heads and limbs of great stone figures, carved more than 2,000 years ago, which once guarded the top of Mount Nemrut and the tomb of King Antiochus. These ruined figures, originally standing in two terraces below what may have been a man-made top to the gleaming white mountain, are strangely reminiscent of the toppled statue heads on Easter Island in the Pacific. Turkey is full of such surprises from the past.

Many of the sites and deserted beaches along the southern coast are accessible only by boat, as surfaced roads and tracks are rare. Here, most of the area of southern Anatolia between Bodrum and Antalya, including Marmaris, are as yet relatively unknown to most tourists, except those from Britain and West Germany. It is in this region that major efforts are being concentrated to develop more facilities for tourists. Existing hotels and marinas are being expanded and new ones constructed to cope with the influx of visitors. Yacht chartering is proving especially popular with West Germans and Britons, who are currently trail-blazing a coastline offering some of the best cruising anywhere in the Mediterranean.



The ruins of Ephesus, left, and Adiyaman, above, testify to Turkey's rich and ancient heritage.



The Aspendos Theater in Antalya, part of an area along the southern coast that is still relatively unknown to tourists.

For those with less time, a cruise around the Golden Horn or along the Bosphorus from Istanbul should not be missed. Along the waterside are the palaces and former houses of rich Turkish merchants, many restored and in use as private homes. Also recommended is a trip to the Princes Islands, a group of nine pine-wooded islands with sandy beaches, an hour's sailing from Eminonu, one of Istanbul's many ferryboat terminals.

Traveling around the country by air, train or bus is inexpensive. An eight-hour train journey in first class may cost as little as \$10, and a bus even less. Car hire is expensive in the cities. Hotels outside Ankara, the capi-



The ruins of Ephesus, left, and Adiyaman, above, testify to Turkey's rich and ancient heritage.

# Revolutionizing Istanbul's Cultural Life

**I**T is no exaggeration to say that the Istanbul Foundation for Culture and Arts, the brainchild of Dr. Nejat Eczacibasi, one of Turkey's leading industrialists, has revolutionized the cultural life of Turkey's largest city. In the 15 years since the first International Istanbul Festival was organized, the rich summer program of music, dance and drama has become an institution.

"Our main problem now is the limited space for attendance," Dr. Eczacibasi said. "Istanbul needs a concert hall very badly." Concerts are now held in the Byzantine church of St. Irene, the Ataturk Cultural Center's Opera House; for large events, there is the inadequate Sports and Exhibition Palace.

To remedy this situation, Dr. Eczacibasi is organizing a project to build a 3,500-seat concert hall on the outskirts of the city. A Turkish architect who teaches in Paris has designed the structure, but "the formalities are not yet finished," Dr. Eczacibasi explains, adding that the cost of the project will require cooperation between private and public sources.

The Festival itself, even with less than perfect facilities, has grown considerably in breadth and stature since 1973. Of the more than 2,000 festivals held worldwide, Istanbul's is one of a select group of just 44 recognized by the European Association of Music Festivals. This year the program will be stretched to six weeks, instead of being squeezed into three. "Last year we were exhausted running from concert to concert," Dr. Eczacibasi says. "This year it will be more relaxed."

Some of the highlights this summer will be performances by the Berlin Sym-

phony Orchestra, the Moscow State Symphony and the Cracow Philharmonic Orchestra and Chorus. The Musica Antiqua Kohn, the English Chamber Orchestra and the Festival Strings Lucerne will perform in the intimate St. Irene's. Flautist Jean-Pierre Rampal and 21 other artists will also give recitals in the church. Mozart's opera "Abduction from the Seraglio" will be performed in the courtyard of Topkapi Palace.

Pop and jazz concerts are usually among the best attended events of the season. This year's hot tickets will undoubtedly include Chuck Corea and Gary Burton, performing together; Ray Charles; Herbie Hancock; Al di Meola; and Ralph Towner.

"The locality is the reason for the Istanbul Festival," says Dr. Eczacibasi. The use of unique historic sites like St. Irene's and the Rumeli Fortress on the banks of the Bosphorus give the festival its special flavor.

This year the Foundation is branching out to organize events in the Izmir area, utilizing such sites as the theater in Ephesus, one of the best preserved antique theaters in the world, and the fortress in Cesme.

Like so many other festivals, the one in Istanbul runs at a deficit. It enjoys government support in being given free use of the sites. The costs are born primarily by private contributions in the form of corporate sponsorship of individual events. Ticket sales (prices range from \$2-\$18) and advertising space in the Festival Program make up the difference.

The huge success of the Festival prompted Dr. Eczacibasi and the Foundation to sponsor yet another event —

the International Film Days, a two-week film festival showing about 130 films, now in its third year. Held in April, it gives film-starved Istanbulites a chance to see a wide variety of critically acclaimed movies from all over the world.

The enthusiastic response to the festival is slowly revitalizing the city's commercial cinemas, nearly moribund under the impact of television, home videos, and the lawlessness and foreign exchange shortage that crippled society here in the late 1970s.

The next venture of the Foundation will be the Istanbul Biennale, scheduled for September 15-November 15. Concentrating on the visual arts, it will be "very international in character," according to Dr. Eczacibasi. Well-known artists from around the world will come to Istanbul to show their work and paint in historic locations.

"This will complete Istanbul's cultural calendar," Dr. Eczacibasi said. "Cinema in the spring, music in the summer and visual arts in the fall."

"I suppose I had always hoped to do something in the field of music," he admitted. "It was in me." During his university years in Berlin, before World War II, Dr. Eczacibasi studied violin at the Conservatory, but in the post-war years, as he was working from 12 to 14 hours a day to establish his pharmaceutical company, he rarely found time to open his violin case.

Now, his pharmaceutical company, bearing the Eczacibasi name, is Turkey's leading health-based industrial group, and the festivals Dr. Eczacibasi helped establish hold a place of pride in Istanbul's cultural life.

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Wednesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: 12 Month High/Low, Stock, Div., Yld., PE, %Chg. Lists various stocks like Polaris, PPG, and others.

NYSE High-Lows

Table with columns: Stock, High, Low, %Chg. Lists high and low prices for various stocks.

Company Results

Table with columns: Company, Revenue, Profit, Per Share. Lists financial results for companies like AmGen, Amgen, etc.

Table with columns: 12 Month High/Low, Stock, Div., Yld., PE, %Chg. Lists various stocks like Amgen, Amgen, etc.

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U.S. Futures

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. Lists futures prices for various commodities.

Grains

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. Lists grain futures prices.

Food

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. Lists food futures prices.

Metals

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. Lists metal futures prices.

Livestock

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. Lists livestock futures prices.

Currency Options

Table with columns: Underlying Price, Strike, Call, Put, Last. Lists currency option prices.

Financial

Table with columns: U.S. Treasury, U.S. Treasury, U.S. Treasury. Lists financial market data.

Stock Indexes

Table with columns: SP COMP. INDEX, NYSE, NYSE. Lists stock index performance.

Commodity Indexes

Table with columns: Commodity, Price, %Chg. Lists commodity index values.

Market Guide

Table with columns: Market, Price, %Chg. Lists market guide information.

Dividends

Table with columns: Company, Dividend, %Yield. Lists dividend-paying stocks.

Spot Commodities

Table with columns: Commodity, Price, %Chg. Lists spot commodity prices.

Paris Commodities

Table with columns: High, Low, Close, Ask, Chg. Lists Paris commodity prices.

London Commodities

Table with columns: High, Low, Close, Ask, Chg. Lists London commodity prices.

Asian Commodities

Table with columns: High, Low, Close, Ask, Chg. Lists Asian commodity prices.

London Metals

Table with columns: High, Low, Close, Ask, Chg. Lists London metal prices.

U.S. Treasuries

Table with columns: Maturity, Yield, %Chg. Lists U.S. Treasury bond yields.

DM Futures Options

Table with columns: Price, %Chg. Lists DM futures option prices.

Air France Considering Joint Reservation Setup

PARIS — Air France and other members of the 20-country Association of European Airlines are studying the joint purchase of an integrated computer reservation system to fend off competition from U.S. systems, an Air France spokesman said.

Mexican GDP Fell 3.8% In 1986 on Oil Slump

MEXICO CITY — Mexico's central bank has said that the nation's gross domestic product fell by 3.8 percent last year, as slumping oil income and a lack of foreign credits aggravated an existing economic crisis.

Canada, Ontario Resolve Dispute Over Securities-Industry Rules

TORONTO — The Canadian and Ontario governments said they have resolved a dispute over regulation of Ontario's securities industry that threatened to delay the June 30 proposed deregulation of financial services.

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BUSINESS ROUNDUP

Philips Plans Share Issue, Reports 42% Rise in Net

AMSTERDAM — The Dutch electronics giant, NV Philips, said Wednesday that it planned to issue 7 million common shares to strengthen its global presence.

the like 1986 period. Sales fell 9 percent to 11.88 billion guilders. Mr. Zantman said the company's positive position and a favorable investment climate prompted the new share issue.

Philips shares slipped on the Amsterdam Stock Exchange after the news to 49 guilders, from 49.70 guilders on Tuesday.

Regarding the first-quarter performance, company officials said operating profit improved worldwide, notably in North America, but export earnings slipped because of the strong guilder.

Ford Profit Soars 105% in Quarter

DETROIT — Ford Motor Co. announced record earnings on Wednesday for the first quarter of 1987, with net income leaping 105 percent, beating the combined profits of General Motors Corp. and Chrysler Corp.

"Improvements in product quality, manufacturing technology and productivity are providing greater satisfaction for our customers, better return for our stockholders and higher profits sharing for most of our U.S. employees," it said.

delphia, called Ford's earnings "fabulous." "Given the combination of the industry's slower sales and the costly sales incentive programs which were going against them, the results are phenomenal," Mr. O'Grady said.

Ford's second-ranked U.S. automaker, said its profit of \$1.49 billion, or \$5.73 a share, for its worldwide operations is the highest quarterly profit in its 84-year history.

Merrill Lynch & Co. said Wednesday that it had a second-quarter paper loss of about \$250 million on mortgage-backed securities because of unauthorized activity by one of its employees and subsequent volatility in the market.

On Monday, Chrysler said its first quarter profit fell 24 percent as buyer incentives and plant improvements ate into profit.

Texaco's Profit Plunged by 64% in First Quarter

WHITE PLAINS, New York — Texaco Inc. said Wednesday that first-quarter profit fell 64 percent, to \$118 million, from \$328 million in the like 1986 period. It cited declining profit margins in oil refining and marketing and the costs of its legal dispute with Pennzoil Co.

Sal. Oppenheim jr. & Cie. Bankers since 1789. Summary of our Annual Report 1986. Table comparing 1985 and 1986 figures for Business Volume, Total Assets, Deposits, Bill and Advances, Capital, and Consolidated Total Assets.

Olivetti in Talks On Equity Sale to Japanese Investors

ROME — Olivetti SPA, Europe's biggest office equipment and personal computer group, said it has been holding talks with a Japanese investment bank to sell an equity stake in the company to Japanese investors.

Deutsche Bank to Get Tax Reimbursement

BONN — Deutsche Bank AG is to receive 2 billion Deutsche marks (\$1.12 billion) from federal and state governments because it paid too much tax in connection with the public sale of the Flick industrial group, news reports said Wednesday.

AMSTERDAM-ROTTERDAM BANK N.V. Amsterdam (The Netherlands)

Warrants attached to 4,155,187 shares issued per May 12, 1986. Due to the decision to issue to holders of ordinary shares in the above mentioned company a bonus of Dfl. 0.50 in ordinary shares from the Shares Premium Reserve with simultaneous addition to any reserve of a corresponding amount out of that portion of the profit over 1986 which is intended for distribution, the warrant exercise price will be reduced from Dfl. 114.50 to Dfl. 113.50 as from April 17, 1987.

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Restoration of normal profitable trading in all sectors of the diamond industry

Extracts from Julian Ogilvie Thompson's Statement for 1986

1986 saw the restoration of normal, profitable trading in all sectors of the diamond industry — a development that had a collective significance too, in that it confirmed the fundamental soundness of the diamond business and its structure, and demonstrated once more the effectiveness of De Beers' centralised selling system.

Jewellery sales

World retail sales of diamond jewellery attained yet another record. It is pleasing to note that there has been no undue increase in the utilisation of bank finance in the cutting centres, the higher turnover being largely financed with the industry's own funds.

Record dividend

Total dividends on the deferred shares were increased by 45 percent to a record 80 cents a share. The dividend was 2.6 times covered by earnings, compared with 3.3 times the previous year.

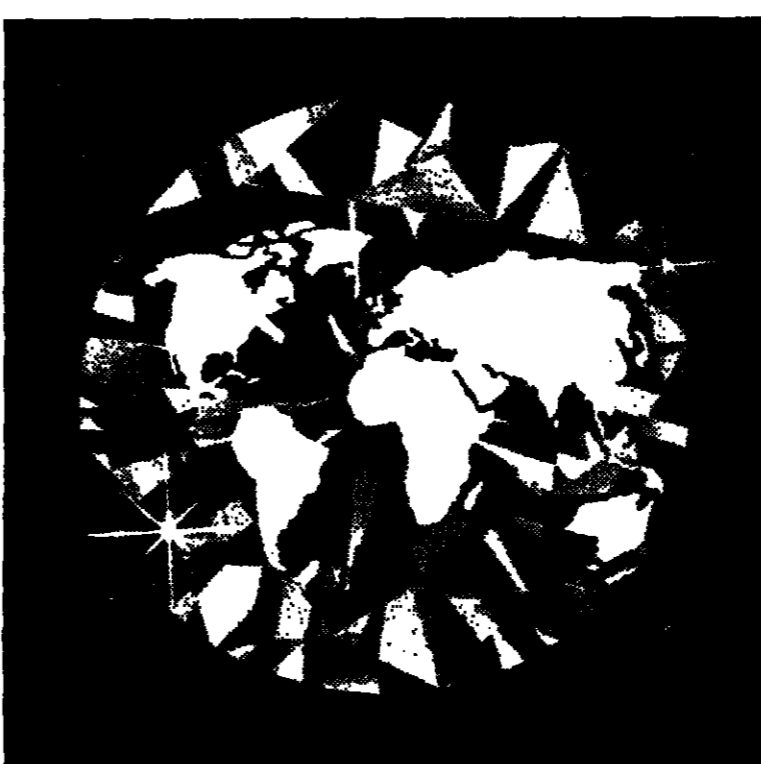
Equal opportunities

The Company continues to strive for equal opportunity for all its employees and to ameliorate, as far as lies within its power, the disadvantage that flow from the existence over the years of discriminatory legislation.

Record dividend

Total dividends on the deferred shares were increased by 45 percent to a record 80 cents a share. The dividend was 2.6 times covered by earnings, compared with 3.3 times the previous year.

we remain entirely willing to carry large stocks to ensure — in the interests of the whole industry — that unsound trading and speculation does not arise again as it did in the late seventies.



Over 40 countries are involved with the mining and polishing of diamonds throughout the world.

and Debswana, which De Beers holds in equal partnership with the Government of Botswana, was 3 percent higher at 23,945,000 carats.

Equal opportunities

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Our objective is that all South African employees should be free to choose between living with their families in their own or rented homes, or singly in hostels. We will need Government co-operation in the proclamation of land and the provision of the necessary community infrastructures.

Abolition of apartheid

Campaigning for the election to be held in May for the White Chamber of Parliament suggests that a larger section of the electorate than had generally been expected has swung to the view — which we have long advocated — that Government must press ahead with the abolition of the remaining vestiges of apartheid in order that negotiations without preconditions — other than a cessation of violence — can begin on a constitution that will enable all South Africans to participate fairly and fully in the political process, that offers equal economic opportunity to all, and has an entrenched Bill of Rights.

Diamond Congress

Last July a number of my colleagues and I attended part of the 23rd World Diamond Congress of diamond bourses and manufacturers in Tel Aviv, where we were able to renew old acquaintances with many of the leading personalities and meet the younger generation in the diamond business, all of whom had played their part in bringing the industry through its most difficult period for 50 years. It was appropriate that the congress should have been held in Israel which was the first centre to be hit, and perhaps the hardest hit, by the depression, and whose ingenuity contributed so much to the subsequent recovery. Israel and the other cutting centres, as well as the producers, may be sure that all of us in De Beers and the CSO will continue to play our full part in the maintenance of prosperity in the diamond business.

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I had hoped that further initiatives would soon follow but that, alas, was not to be.

Abolition of apartheid

Campaigning for the election to be held in May for the White Chamber of Parliament suggests that a larger section of the electorate than had generally been expected has swung to the view — which we have long advocated — that Government must press ahead with the abolition of the remaining vestiges of apartheid in order that negotiations without preconditions — other than a cessation of violence — can begin on a constitution that will enable all South Africans to participate fairly and fully in the political process, that offers equal economic opportunity to all, and has an entrenched Bill of Rights.

Diamond Congress

Last July a number of my colleagues and I attended part of the 23rd World Diamond Congress of diamond bourses and manufacturers in Tel Aviv, where we were able to renew old acquaintances with many of the leading personalities and meet the younger generation in the diamond business, all of whom had played their part in bringing the industry through its most difficult period for 50 years. It was appropriate that the congress should have been held in Israel which was the first centre to be hit, and perhaps the hardest hit, by the depression, and whose ingenuity contributed so much to the subsequent recovery. Israel and the other cutting centres, as well as the producers, may be sure that all of us in De Beers and the CSO will continue to play our full part in the maintenance of prosperity in the diamond business.

Record dividend

Total dividends on the deferred shares were increased by 45 percent to a record 80 cents a share. The dividend was 2.6 times covered by earnings, compared with 3.3 times the previous year.

Equal opportunities

The Company continues to strive for equal opportunity for all its employees and to ameliorate, as far as lies within its power, the disadvantage that flow from the existence over the years of discriminatory legislation.

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De Beers

**Wednesday's AMEX Closing**

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month High	Low	Stock	Div. Yld. PE	52-Week High	Low	Close	Change
18.00	17.00	ABM	1.20 1.5	23.00	22.00	22.50	+0.50
15.00	14.00	ACI	1.00 1.2	18.00	17.00	17.50	+0.50
12.00	11.00	ACI	1.00 1.2	15.00	14.00	14.50	+0.50
10.00	9.00	ACI	1.00 1.2	12.00	11.00	11.50	+0.50
8.00	7.00	ACI	1.00 1.2	9.00	8.00	8.50	+0.50
6.00	5.00	ACI	1.00 1.2	7.00	6.00	6.50	+0.50
4.00	3.00	ACI	1.00 1.2	5.00	4.00	4.50	+0.50
2.00	1.00	ACI	1.00 1.2	3.00	2.00	2.50	+0.50
1.00	0.50	ACI	1.00 1.2	1.50	1.00	1.25	+0.25
0.50	0.25	ACI	1.00 1.2	0.75	0.50	0.625	+0.125

12 Month High	Low	Stock	Div. Yld. PE	52-Week High	Low	Close	Change
10.00	9.00	ACI	1.00 1.2	12.00	11.00	11.50	+0.50
8.00	7.00	ACI	1.00 1.2	10.00	9.00	9.50	+0.50
6.00	5.00	ACI	1.00 1.2	8.00	7.00	7.50	+0.50
4.00	3.00	ACI	1.00 1.2	6.00	5.00	5.50	+0.50
2.00	1.00	ACI	1.00 1.2	4.00	3.00	3.50	+0.50
1.00	0.50	ACI	1.00 1.2	2.00	1.00	1.25	+0.25
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0.50	0.25	ACI	1.00 1.2	1.00	0.50	0.625	+0.125



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**Company Results**

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Company	1987	1986	1985
<b>United States</b>			
<b>Alco Standard</b>	Revenue: 3,740	Revenue: 3,220	Revenue: 3,015
Net Inc.: 15.0	Net Inc.: 14.8	Net Inc.: 14.8	
Per Share: 1.0	Per Share: 1.0	Per Share: 1.0	
<b>Beings</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Borg-Warner</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Allegheny Int'l</b>	Revenue: 310.0	Revenue: 320.0	Revenue: 320.0
Net Inc.: 10.0	Net Inc.: 10.0	Net Inc.: 10.0	
Per Share: 1.0	Per Share: 1.0	Per Share: 1.0	
<b>AMER</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Armstrong World Ind.</b>	Revenue: 541.1	Revenue: 520.0	Revenue: 520.0
Net Inc.: 0.7	Net Inc.: 0.7	Net Inc.: 0.7	
Per Share: 0.7	Per Share: 0.7	Per Share: 0.7	
<b>Cincinnati Milbrom</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Cons. Edison N.Y.</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Bell</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Bethlehem Steel</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Enselhor</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Kerr-McGee</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Morfolk Southern</b>	Revenue: 1,100	Revenue: 1,100	Revenue: 1,100
Net Inc.: 0.5	Net Inc.: 0.5	Net Inc.: 0.5	
Per Share: 0.5	Per Share: 0.5	Per Share: 0.5	
<b>Weekly net asset value</b>			
<b>Tokyo Pacific Holdings N.Y.</b>			
on April 27, 1987: U.S. \$202.80			
Listed on the Amsterdam Stock Exchange			
Information: Pierson, Halding & Pierson N.V., Herengracht 214, 1016 BS Amsterdam.			

**OTC**

Over-the-counter market listings and information.

CURRENCY MARKETS

Dollar Mixed in Cautious Trading

Compiled by Our Staff From Dispatches

LONDON — The dollar closed mixed Wednesday in Europe as the widespread belief that the U.S. currency will continue to weaken overpowered an early short-covering rally.

Trading was relatively slow, however, as the Japanese markets were closed for a national holiday. Dealers added that with a string of market holidays later this week and next, dollar trading was likely to remain thin and volatile.

Dealers said that the dollar was unaffected by the U.S. Commerce Department's announcement that the nation's main forecasting measure of economic activity rose 0.4 percent in March.

"Nobody is looking at these kind of figures these days," said a dealer at a large West German bank in Frankfurt.

Dealers said that European trading revived in the early afternoon when U.S. dealers tried unsuccessfully to push the dollar below support levels of 141 yen and 1.80 Deutsche marks.

Although sentiment remained bearish for the U.S. currency, many participants were cautious amid uncertainty about U.S. credit and trade policies.

In London, the dollar closed at 1.7935 DM, slightly below Tuesday's finish at 1.7956 DM, after trading between a low of 1.7905 DM, posted in late business, and a high of 1.8020.

London Dollar Rates

Table with columns: Currency, Rate, % Change. Includes entries for Deutsche Mark, Swiss Franc, Japanese Yen, etc.

day's finish at 1.7956 DM, after trading between a low of 1.7905 DM, posted in late business, and a high of 1.8020.

It firmed against the yen at 140.25, up from 139.75 yen Tuesday, after trading within a range of 140 to 141.10 yen. The dollar also rose against the Swiss franc, to 1.4730 francs from 1.4680, but fell to 5.9775 French francs from 5.9885 francs Tuesday.

The British pound gained on the dollar, to \$1.6585 from \$1.6540.

Strong speculation Tuesday that the U.S. discount rate may be increased from 5.5 percent was waning, dealers said, especially after the U.S. Federal Reserve injected temporary reserves Wednesday into the U.S. banking system.

But dealers said that only a discount-rate increase could give long-term support to the dollar as the huge U.S. trade deficit continues to put pressure on the currency.

Doubts on Talks May Stabilize Currency Futures

CHICAGO — Currency futures at the International Monetary Market are likely to have near current levels in nervous trading over the next few days, although underlying sentiment remains positive, analysts said Wednesday.

"Currencies are likely to muddle around these levels, said Anne Parker Mills, an analyst at Shearson Lehman Brothers.

The analysts said that traders were unwilling to establish long or short positions in futures because of uncertainty over upcoming trade talks and U.S. trade legislation.

Prime Minister Yasuhiro Nakasone of Japan and President Ronald Reagan will meet Thursday and Friday to discuss trade tensions.

"Unless something really surprising comes out of the Nakasone-Reagan talks," Ms. Mills said, "I don't see the dollar getting above 142 yen and 1.83 Deutsche marks.

U.S. Has Considered Issuing Yen Bonds to Buoy Dollar

WASHINGTON — The prospect of renewed assaults on the dollar might force the United States eventually to unveil distasteful measures to bolster support for its currency, monetary analysts and economists said.

Treasury Secretary James A. Baker III has acknowledged that the Reagan administration discussed the possibility of issuing yen-denominated U.S. government bonds to support the dollar.

But he has also dismissed speculation that he was ready to take such an unusual step. But sources say the issue has been seriously discussed by the administration.

"It is unlikely that we would undertake to do that now," Mr. Baker said last week. "In our view there might well be some who would view" issuing U.S. yen bonds "as, in fact, a lack of confidence by the U.S. in its own currency. And therefore we don't think it's an appropriate thing to do."

But if the Reagan administration did announce measures, they could be a part of an international effort to end the instability in financial markets with genuine action to reduce massive economic imbalances, monetary analysts believe.

And, like a currency defense package unveiled by the Carter administration, issuing yen bonds could be accompanied by a rise in the discount rate, now 5.5 percent.

The Federal Reserve has resisted pressure to raise this crucial rate so far, chiefly, some Fed officials say, because it could hurt economic growth. Another concern is the fragile international debt situation.

Analysts who expect a currency support package are divided over its possible timing. Some even believe an announcement could come this week during a visit to Washington by Prime Minister Yasuhiro Nakasone of Japan.

"It would give some real focus to the visit, and it might steady the dollar and prevent it from going down," said Charles Taylor, an analyst with Prudential-Bache Securities in New York.

But sources said they thought it unlikely that the Reagan administration would resort to measures that would bring to mind the troubles of President Jimmy Carter.

Until very recently, the current administration has urged a lower dollar to help redress its huge trade deficit while Mr. Carter faced a weak dollar as confidence in his economic policies collapsed. But currently, Washington's policies are increasingly in question.

The Carter plan, launched on Nov. 1, 1978, was a resounding success. "This package really gave credibility to the administration to get the dollar up," said Robert Hormats, vice president of Goldman Sachs Inc. and a former senior U.S. economic in the Carter and Reagan administrations.

Mr. Carter issued \$6.4 billion of mark- and Swiss franc-denominated bonds aimed at buttressing psychological support for the dollar, but also at attracting foreign investors, who had lost confidence in the dollar, to U.S. government instruments.

The package was supported by a 1 percentage point rise in the discount rate, to 9.5 percent, drawings on U.S. monetary reserves at the International Monetary Fund and sales of U.S.-held special drawing rights to other IMF members.

It was also supported by increased Fed currency swap lines with other central banks and stepped up official U.S. gold sales.

Stephen Aslrod, a former Fed official who is now vice chairman of Nikko Securities, said, "I think it's very unlikely they would do that now."

He contended that it was politically difficult to take action to support the dollar while Japan and West Germany have still to fulfill pledges to stimulate their own economies.

But most analysts believe a currency support package would only work if genuine economic measures to redress world trade imbalances are undertaken by the leading industrial powers.

Wednesday's OTC Prices. NASDAQ writes as of 3 p.m. New York time. Via The Associated Press.

Large table of OTC prices for various stocks, including columns for stock name, price, and change.

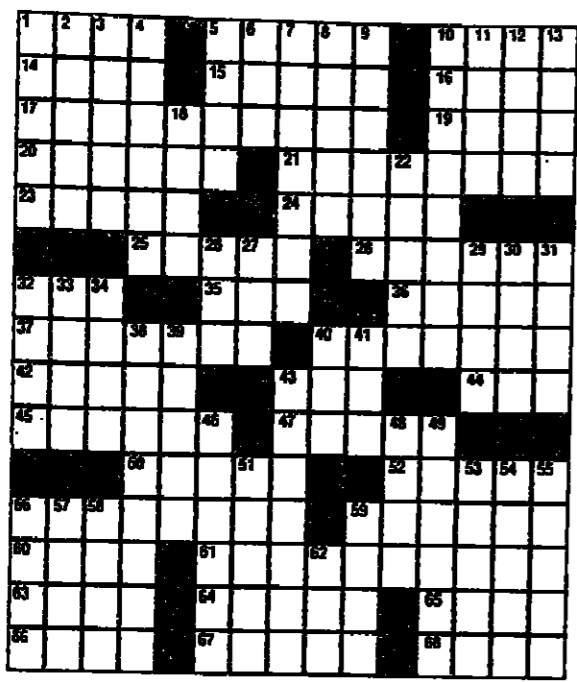
Large table of stock prices, organized into columns labeled A through H, listing various companies and their market data.

Table of stock prices, organized into columns labeled I through R, listing various companies and their market data.

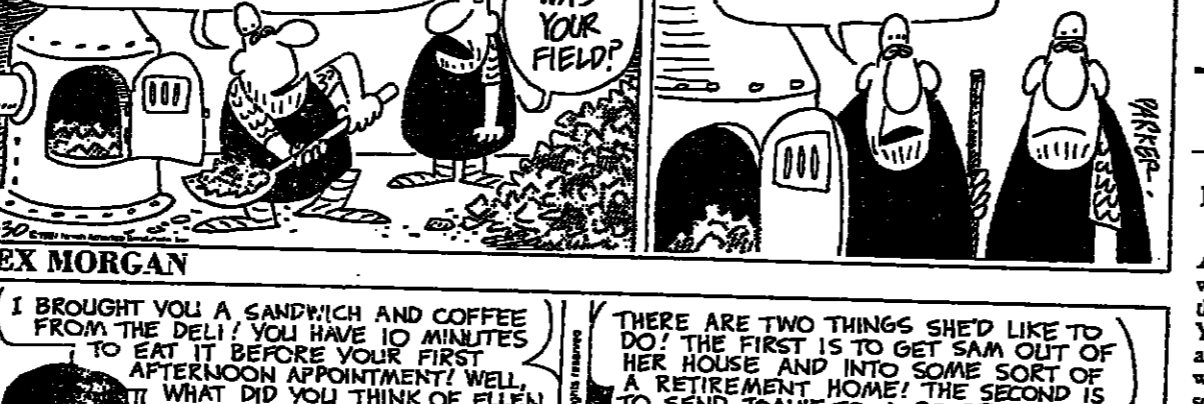
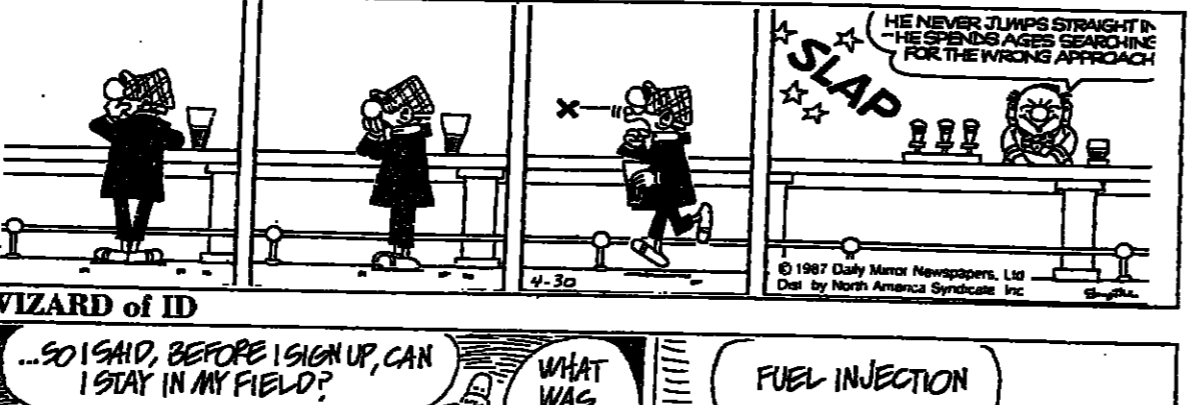
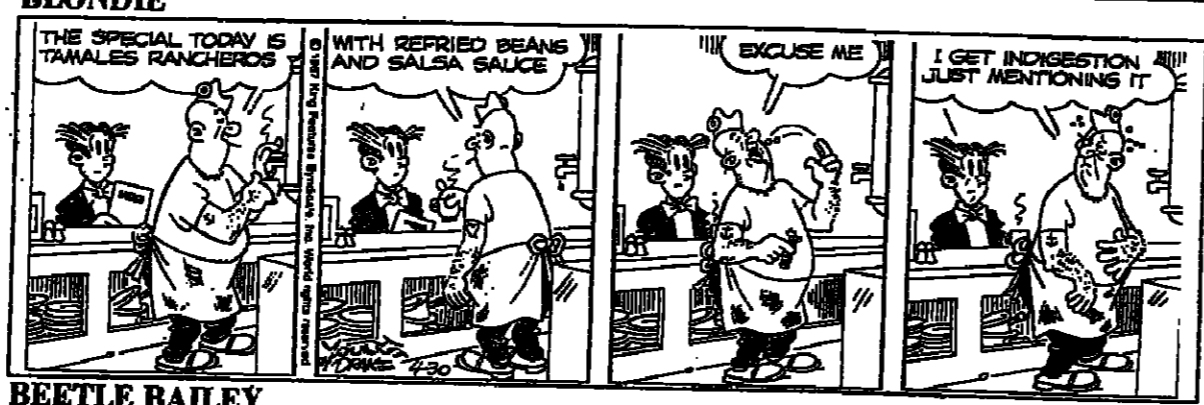
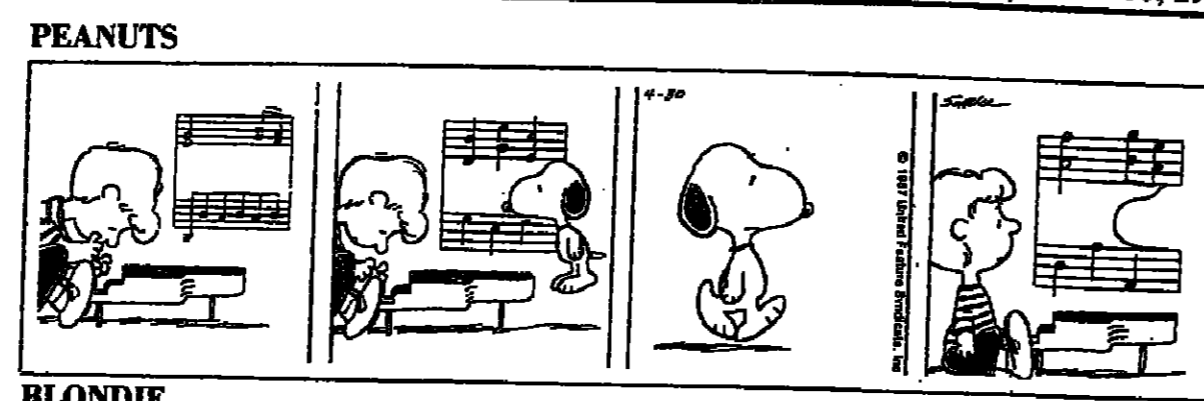
Advertisement for an oil and money conference in London, October 22-23, 1987. Includes text about the conference and contact information for the International Herald Tribune.

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post. Contact: Tel. 212 717 34 00. Service: Tel. London 01 723 1117. Fax: 01 724 1151. Cable: 228200.



- ACROSS**
- 1 Long, leathery scapula
  - 5 Aromatic spice
  - 10 Farewell to, Fabius
  - 14 Italian currency
  - 15 Mea — (my fault)
  - 16 Author Ludwig
  - 17 Creamy cocktails
  - 19 Baker's flute
  - 20 High-backed wooden bench
  - 21 Low, light carriage
  - 23 Cornered
  - 24 Sheriff's action
  - 25 Basketball shot
  - 28 Warp-knit fabric
  - 32 Word with cake or meal
  - 35 — Alamos
  - 36 French school
  - 37 S.C. university
  - 40 Auction events
  - 42 Songwriters' org.
  - 43 Droop
  - 44 Little one
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# BOOKS

**CULTURAL LITERACY: What Every American Needs to Know**  
By E.D. Hirsch Jr. With an Appendix, "What Literate Americans Know," by E.D. Hirsch Jr., Joseph Kett and James Trefil. 251 pages. \$16.95. Houghton Mifflin, 2 Park Street, Boston, Mass. 02108.

Reviewed by John Gross

THERE is a lot of ignorance around, and all the signs are that there will soon be a lot more. The eighth-grade students who thought that Latin was what they speak in Latin America, and that Homer wrote an epic called "The Iliad"; the junior at UCLA who thought that Toronto was in Italy — these are some of the examples that E.D. Hirsch Jr. cites in "Cultural Literacy."

We have all heard similar stories, but the evidence for a decline in cultural literacy isn't just anecdotal. Hirsch also quotes from the preliminary findings of a study conducted in the United States in 1985 by the National Assessment of Educational Progress. They show, among other things, that two-thirds of the 17-year-olds interviewed didn't know that the Civil War occurred between 1850 and 1900, and that half of them couldn't identify Stalin or Churchill.

That so many people should be stumbling around in this kind of fog is an obvious cause for concern. Hirsch, who is a professor of English at the University of Virginia, puts the chief blame for this situation on American schools. It won't do, he argues, to go on using outside influences (most notoriously, television) as scapegoats. It is in the classroom that most of the trouble lies — most of the trouble, at any rate, that we have it within our power to remedy.

John Gross is on the staff of *The New York Times*.

# BRIDGE

By Alan Truscott

APRIL 1 was the date the revised Laws of Duplicate were introduced, and one of the pairs in a game at New York's Cavendish Club was in all probability the first in the world to be victimized by one scoring provision of the new laws: The additional 50 points for making a redoubled contract. They defended five clubs redoubled, not vulnerable, and with some difficulty calculated a score of 800 instead of the usual 750 when the contract succeeded. The rest of their evening was spent in answering challenges from other players who disbelieved the score. On the diagrammed deal, the partnership defended three no-trump after North showed strength with a reverse score. South won the diamond lead with dummy's ace, and East dropped the nine, and led the club queen. This was allowed to win, and another club led to West's jack. West led a second diamond, and South captured the queen with the king and led a third club. He had no trouble when West won and shifted to a spade.

**Solution to Previous Puzzle**

PEALE	MISTS	VIS
ARGOT	ONTAP	ENT
INANTUSHELL	STR	
RESEDA	AREA	TUE
REVILE	TUPTS	
JOSS	LEO	TROTS
ARM	WOLD	DESC
BEAKERS	KARAKUL	
LIST	CABS	ESE
FALLS	URN	STEW
LISLE	POTATO	
ARC	NEWS	CHASSE
CIA	GRASSHOPPER	
ELL	EGRET	SEEMS
DYE	RODDY	EDDIE

John Gross is on the staff of *The New York Times*.

## World Stock Markets

Via Ag. — France Presse Closing prices in local currencies, April 29.

Market	Index	Change
Amsterdam	350.50	+1.50
Brussels	1465.15	+15.15
Frankfurt	212.37	+1.37
London	2250.00	+10.00
Paris	1175.00	+15.00
Stockholm	1250.00	+10.00
Sydney	1250.00	+10.00
Tokyo	1250.00	+10.00

SPORTS

Sonics' Ellis Scores 43 to Again Make His Point That the Mavericks Erred

SEATTLE — Dale Ellis continued Tuesday night to get even with the Dallas Mavericks, scoring 43 career-high 43 points as the underdog Seattle SuperSonics won, 117-107, to take a 2-1 lead in their best-of-five playoff series.

NBA PLAYOFFS

The Celtics played without all-star forward Kevin McHale, who had an ankle injury. "We wanted to win this awfully bad. We needed the rest," Bird said. "The rest is very crucial for us in the long run. Kevin is out and we can't do it," repeat as NBA champions.

The Celtics trailed by nine in the third quarter, but Johnson's lay-up with 5:49 left in the game gave them an 82-81 edge. It was the first time they had led in the second half and they never trailed thereafter.



Gary Roneicko could not find the plate in the fifth before Bo Diaz of the Reds could find him, but the Braves still scored six runs with two out that inning and won, 7-2.

Brewers Lose a 2d, To 4 Angel Homers

ANAHEIM, California — The Milwaukee Brewers lost Tuesday night for only the second time in 19 games this season, but this time they were routed as Doug DeCinces hit a three-run homer and two doubles to lead the California Angels to 10-5 victory.

BASEBALL ROUNDUP

ANAHEIM, California — The Milwaukee Brewers lost Tuesday night for only the second time in 19 games this season, but this time they were routed as Doug DeCinces hit a three-run homer and two doubles to lead the California Angels to 10-5 victory.



TURNABOUT — Norman Rochefort of the Nordiques got rid of Claude Lemieux, but Montreal won, 3-2, when Ryan Walter scored 2 1/2 minutes from the end of the National Hockey League playoff; 14 seconds earlier referee Kerry Fraser had negated a goal by Quebec's Alain Cote. New York beat Philadelphia, 2-1, when a shot bounced in off a defender with three minutes left in that game.

Derby Colt Momentus Bears 2 Burdens

By Andrew Beyer Washington Post Service LOUISVILLE, Kentucky — Even those who had watched thoroughbred horse races all their lives had never seen anything like last fall's Hawthorne Juvenile Stakes.

When's it going to happen? He was going at three-quarter speed." Momentus began to show a semblance of his old self when he next won a minor stake in northern California. But instead of letting him develop slowly, Dollase put him on the fast track. He wasn't going to let 178 stitches and a mental trauma interfere with dreams of the Kentucky Derby.

He shipped Momentus to the \$500,000 Jim Beam Stakes, where Momentus finished a distant fourth. Then he was sent to Keeneland for the Lexington Stakes, and was a soundly beaten third in a field of six.

SCOREBOARD

Table with columns for Basketball, Baseball, and Football. Includes NBA Playoffs, Tuesday's Line Scores, and NFL Draft.

NBA Playoff Schedule

Table listing NBA playoff schedules for the Eastern Conference and Western Conference.

Major League Standings

Table showing Major League Standings for the American League and National League.

Hockey

Table showing NHL Divisional Finals and World Championships.

Transition

BASEBALL — Cleveland — Earl Davis, pitcher, to Buffalo American Association. Recalled Dave Probert, outfielder, from Buffalo.

NHL Playoff Schedule

Table listing NHL playoff schedules for the Eastern Conference and Western Conference.

Golf

Table listing PGA Leaders.

The Global Newspaper



Owners Are Taking Stock of Their Pro Sports Teams

NEW YORK — It may be a while before you can take a flier on the Yankees or sell the Mets short on the New York Stock Exchange. But five months after the Boston Celtics made financial history by selling their shares to the public, other teams have disclosed plans to make similar offerings and more are waiting in the wings.

Owners Are Taking Stock of Their Pro Sports Teams

Exchange Commission for the sale of partnership units representing a 42 percent interest in the team, and the Edmonton Oilers have asked the National Hockey League for permission to make a similar offering.

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(Continued from Back Page) AUTO SHIPPING TRANSCAR 17 on the Fradford, 7500B... AUTOS TAX FREE LICENSE PLATES for tax-free cars... LEGAL SERVICES US LAWYER, FORMER JUDGE, San Francisco... HOLIDAYS & TRAVEL EXPERIENCE THE REAL ALASKA... HOTELS TUDOR HOTEL, New York 500 room, fashionable East Side of Manhattan...

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ART BUCHWALD

Ah, the Fees, the Fees

WASHINGTON — Two lawyers were talking to each other at the next table. One was wearing a fire chief's hat, so I assumed he worked for Texaco. The other was putting Pennzoil on his salad.



Buchwald

The Texaco man took a swig of wine and replied, "You don't have to rub it in. You know you'll never see the money. We've gone into bankruptcy."

The Pennzoil man admonished, "Lawyers shouldn't become rich on litigation. Their job is to serve the client at the least possible cost."

"I'll drink to that," the Texaco man chuckled as he drank directly from the wine bottle.

"I wouldn't be too happy about the way things are going, my Pennzoil clients are talking about settling out of court. If that happens we can both sell our houses in East Hampton."

The Texaco man looked shocked. "You can't let them settle out of court. That would make Pennzoil look chicken throughout the free oil world."

"If they want to settle I have no choice."

"If you don't sue us then we are \$5.9 Million Paid for Books

LONDON — A collection of books about plants and flowers, compiled by Robert de Belder, an Amsterdam diamond merchant, realized \$5,910,465 (about \$9.8 million) in two evening sales completed on Tuesday.

Vines vs. Fast Trains in Vouvray

By Steven Greenhouse New York Times Service VOUVRAY, France — It is the gentlest time of year here, as the Loire flows by in an escarpment's pace and the sun nourishes the budding vineyards.

But in recent years this tranquility has been shattered by a battle that has pitted old France, the enchanting land of vineyards and chateaux, against new France, the enterprising country that boasts of supersonic Concorde and high-speed trains.

The hostilities began a few years ago when the French national railroad system announced plans to build a new route for its Train à Grande Vitesse (TGV) through tiny Vouvray and its vineyards.

"There have been vineyards here for over 500 years," said Philippe Brisebarre, whose sun-drenched vineyard overlooks this town of 2,700 alongside the Loire. "You can't run the TGV through a spot like this."

France's railroad system, of course, disagreed, so Brisebarre and 150 other producers of Vouvray's renowned white wine began a series of demonstrations: They picketed in Vouvray's tiny square, they protested at the railroad's headquarters, and they sat on the tracks to block trains going to nearby Tours, 150 miles (240 kilometers) southwest of Paris.

They made so much noise that one of them, Daniel Allias, was invited to appear on national television to debate the president of the state-owned railroad.

"We viticulturists aren't opposed to progress," Allias said recently as he paced through his dark cave, which stores 60,000 bottles of Vouvray. "We're just opposed to progress when it clashes with the patrimony of France."

agriculture and the National Institute of Wine Appellations, France's regulatory body for wine, grant an exception.

Not surprisingly, those oenophiles refused to allow the railroad to trample on Vouvray's vineyards.

Railroad officials decided to build a tunnel which comes within 60 yards (55 meters) of some caves through one of Vouvray's hills.

But the winegrowers howled at this, too. They feared that the vibrations from the subterranean trains would damage the wine in the caves their wine-making ancestors dug into the hills.

The railroad has nevertheless plunged ahead with its tunnel. The railroad told the growers that the vibrations from the 30 trains that will pass each day, starting in 1990, will not hurt their vines.

To reassure the growers, the railroad asked the regional laboratory of wine analysis to conduct a study on the vibrations' effect.

The laboratory has finished its report, but the railroad refuses to make it public. Railroad officials say the study found that the wine would be safe, but since the report is being kept under wraps, the winegrowers suspect the report concluded otherwise.

Seeking to assuage Vouvray's anxieties, the railroad has agreed to put an anti-vibration rubber cushion under the tracks in the tunnel.

For Brisebarre, whose caves are 100 yards from the tunnel, he remains nervous. "The railroad says the vibrations won't be very severe and won't hurt our wine," he said. "I don't usually agree with them, but this time I hope they're right."

Baby for Woody & Mia

Mia Farrow, 41, already the mother of eight children, and Woody Allen, 51, are expecting their first baby, the New York Daily News reported. Farrow and Allen, who are not married, began their professional association in 1982 when Farrow made "A Midsummer Night's Sex Comedy" with the actor-director-writer.

The actress already had twins sons, Matthew and Sachs, 17, and another son, Fletcher, 11, with the conductor-composer André Previn during their marriage. She adopted two Vietnamese children, Lark Song, 13, and Summer Song, 12, and two Korean children, Sooyul, 15, and Missha, 8. In 1985, she adopted a boy, Dillon, who is now 2.

In New York, the violinist Itzhak Perlman got doctored out in a blond wig, dress and matching scarf for a birthday skit honoring Dorothy DeLay, the 70-year-old instructor who taught him and many other concert performers. DeLay watched Perlman along with some of her other well-known students, including Shlomo Mintz, Cho-Liang Lin, Mi Dori and Paul Rosenzweig. "I think it feels good to have me around, like a rabbit's foot, but they do it all themselves. As every body does," she said. In Monday's spoof, Perlman tutored a series of mediocre pupils using DeLay's mannerisms and her pet phrases "sugar plum" and "sweetie."

The Tate Gallery on Tuesday received a large cash donation that will enable it to pay £2.9 million (about \$4.8 million) to buy a major painting by John Constable, the Clare Foundation, using the legacy of Sir Charles Clare, gave the art museum \$430,000 toward the purchase of the picture of the opening of Waterloo Bridge in 1817. The painting was offered to the museum by Betty Sheldon, who inherited it from the Massey-Ferguson tractor family. If the appeal had failed the picture would have been auctioned and probably gone abroad. The museum had raised the rest of the money from other donors earlier.

Jerzy Urban, the chief Polish government spokesman, on Tuesday criticized the publication of Lech Walesa's autobiography in France and said Poland would publish the book by the Polish labor leader. Urban ridiculed what he called the "political campaign" surrounding the book's appearance in the West as "funny, just like some of Mr. Walesa's remarks are funny." The book's French-language edition went on sale Thursday.

Searchers in Maine found a human bone they say may prove two French aviation pioneers beat Charles Lindbergh across the Atlantic in 1927 — only to die in a crash in Maine. Crews Tuesday found a bone near the spot where the plane, the L'Oiseau Blanc (The White Bird), is believed to have gone down in May 1927, shortly before Charles Lindbergh's historic flight from New York to Paris. The White Bird was a large biplane that left France that day. May bound for New York. Charles Lindbergh, the pilot, and François Coli, the navigator, were seeking the \$25,000 prize that Lindbergh collected just 12 days later from a French aeronautical society. Richard Gillespie, director of the group searching for the plane, quoted the medical examiner, Dr. Karl Larsen of East Machias, as saying the bone found Tuesday appeared to be a human tibia, or shin bone. He said the bone was cracked in a way that would indicate a hard shock at or after death. "He said the crack couldn't have happened in life because there was no sign of healing," Gillespie said. "He also said it appeared that the bone was quite old." The group of 10 searchers found the bone as they hunted through dense underbrush in a forest north of Machias. The site is not far from Grand Lake, where the searchers believe the two fliers were trying to land after flying nonstop from France in an attempt to reach New York.

Emperor Hirohito emerged from his usual seclusion Wednesday to greet thousands of cheering, flag-waving Japanese in Tokyo as he celebrated his 86th birthday on the 61st year on the throne. Accompanied by Empress Nagako, 84, and other family members, Hirohito made three 14-minute appearances, down from the usual four because of his age, to greet about 46,000 people.

Record Price for 'Minute' Red Diamond

By Souren Melikian International Herald Tribune A RED diamond weighing slightly less than one carat was sold in New York Tuesday for \$880,000, or \$926,000 per carat, more than seven times the previous record per carat.

In the same sale, a "purple-pink" diamond weighing 0.59 carats went to \$148,000, or \$251,000 per carat, paid by William Goldberg, a New York diamond wholesaler, for his private collection. The highest previous record for any diamond in any quality stood at \$127,000 per carat, paid in May 1980. The auction, at Christie's, totaled \$14.8 million.

The 0.95-carat red diamond, which came from a private estate in Montana, was purchased by Theodore Horowitz, a Swiss gem merchant; professional sources say the intended recipient is the Sultan of Brunei. The underbidder was Lisa Moussaieff of London Hilton Jewellers. Concerning the red diamond, François Curjel, Christie's diamond expert and head of the jewelry department, thought, although he did not

say so in print, that it might go as high as \$250,000, less than one-third of the price it realized. Curjel said afterwards: "I do not think that either the buyer or the underbidder knew themselves that they would be paying that price."

The red diamond is minute, smaller than a pea. When Curjel opened the bidding, Eddy Elzas, an Antwerp-based dealer in color diamonds, shouted, "\$275,000." David Goff, another Geneva merchant, snapped back, "\$300,000." Laurence Graff of London took it up to \$320,000. At that point, Harry Winston jumped into the bidding and all four of them scrambled up to \$550,000. From then on it was a fight to the finish between Moussaieff and Horowitz.

These prices are on a level with the craziest figures offered in April at the Windsor sale. With a major difference: There was no Windsor glamour. These are market prices paid by hard-nosed professionals and, as such, of considerably greater significance to the future of the auction

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